



Group Anti-Money Laundering and Combating Financing of Terrorism Directive

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1. Introduction

This Group Anti-Money Laundering and Combating Financing of Terrorism Directive ("the Directive") has been produced as a reference for Partners Group Holding AG group entities worldwide (each a "PG Entity" and collectively "PG Group"). The Directive is intended to provide a general summary of the principles, procedures and controls that are adopted and implemented by a PG Entity as a minimum standard in connection with its anti-money laundering and combating financing of terrorism ("AML/CFT") activities to ensure that it is acting in a way to prevent any direct or indirect involvement in money laundering activities and/or the financing of terrorism. The proceeds of money laundering and the financing of terrorism through the world's financial systems are used by criminals and terrorists to seek to exploit the facilities and services offered by financial institutions.

The Directive is not intended to be a comprehensive summary of local compliance obligations relating to AML/CFT that may be relevant in the country of a specific PG Entity, nor to provide an exhaustive list of appropriate and effective procedures and controls to counter money laundering and/or the financing of terrorism in that country.

Sound AML/CFT procedures are vital for the protection of PG Group because they form an essential part of risk management by allowing employees of PG Group to make an informed decision as to whether a transaction with a Customer (as defined in section 3) or an acquisition or exit of an Investment (as defined in section 3) may involve money laundering or may finance terrorist activity. AML/CFT procedures protect the integrity of PG Group by reducing the likelihood of PG Group activities becoming a vehicle for, or a victim of, financial crime and/or terrorist financing. Additionally, PG Group, through appropriate due diligence can take comfort that the Customers are who they say they are, and that it is appropriate to provide them with the product/services requested.

In addition, PG Group can take comfort that an appropriate level of due diligence is conducted on Investments, and that before there is a partial or full acquisition/divestment we ensure we know who we are buying from and who we are selling to. Having AML/CFT procedures and controls enables PG Group to identify during the course of an on-going relationship with a Customer, factors which are unusual, and which may lead to knowing or suspecting that the Customer is involved in money laundering or terrorist financing activity. Equally, these procedures allow PG Group to effectively monitor Investments and to act on a suspicion of money laundering and/or terrorist financing activity that may come to light at the investment stage, divestment stage or throughout the holding period of an Investment.

2. Basic principles

2.1. Prohibition on the acceptance of assets from corruption and other crimes

PG Group are not permitted to accept or fund assets that they know, or should be reasonably expected to know, are derived from the proceeds of criminal activities. The proceeds of criminal activities include in particular any assets obtained or actively managed through corruption, embezzlement of public funds, abuse of an official function, or dishonest dealings by a public officer.



2.2. Prohibition on financing of terrorism and of business relations with criminal organizations

PG Group are not permitted to maintain business relations with any individuals or undertakings that they know, or should be reasonably expected to know, constitute a terrorist or criminal organization, or which are affiliated to, or support or finance such an organization.

2.3. Prohibition on business relations with shell banks

PG Group shall not conduct business relations with banks that do not maintain a physical presence in the place of incorporation (shell banks) or with a correspondent banking relationship where the respondent bank is known to be used by a shell bank. In addition, there may be instances where a PG Entity is prohibited from acquiring an asset in a certain industry due to local regulation; however, this is reviewed on a case by case basis.

2.4. Prohibition on business relations with certain jurisdictions

PG Group maintain a list of jurisdictions that pose heightened AML/CFT, sanctions or reputational risk for which the maintenance or creation of business relations is not permitted or only permitted with prior approval from the Executive Team or the Global Investment Committee, as applicable. The respective list is updated from time to time, as applicable, by Compliance.

3. Undertaking Customer, Investment and Beneficial Owner Due Diligence

For the purposes of this Directive, "Customer" is defined as an investor into an investment vehicle which is managed or administered by a PG Entity or a client with whom a PG Entity enters into a discretionary mandate agreement. Furthermore, "Investment" is defined as an asset partially or fully owned by an investment vehicle managed or administered by a PG Entity.

Other counterparties within the process of acquiring or exiting an Investment are defined as the "Seller", who is the party wishing to sell the Investment to an investment vehicle managed or administered by a PG Entity, and the "Buyer" who is wishing to purchase an Investment.

When referencing a Customer or Investment this is in the context of either a potential or existing Customer as well as a prospective or existing Investment.

3.1. Minimum AML/CFT controls on Customers and Investments

A PG Entity which conducts AML/CFT activities should have in place procedures and controls which provide the means to identify and verify the identity of Customers with whom the PG Entity transacts or otherwise conducts its business. As a minimum, the following controls are implemented by entities within PG Group which act as financial intermediaries:

- i. careful due diligence is carried out to identify a Customer and to ensure verification of the identity of the Customer;
- ii. the name of the Customer and its underlying principals/controllers is checked against the lists of suspected terrorists/terrorist organisations published by the Government of the country of the PG Entity (if any), the United Kingdom, the United States the United Nations, the European Union and any other relevant lists;



- iii. identify the controlling person and/or the beneficial owner and take adequate measures on a risk sensitive basis to verify that owner's identity (if different from the Customer);
- iv. a check which includes consideration as to whether the amount invested is commensurate or reasonable in relation to the source of wealth and source of funds of the Customer.

A PG Entity looking to undertake Investment activities must have procedures and controls in place to identify and verify the identity of a target Investment and its Seller(s), and of the Buyer(s) upon partial or full exit of an Investment. This due diligence may vary depending on the type of Investment. PG Group has thus implemented a risk-based approach when conducting due diligence on an Investment as follows:

- i. careful due diligence is carried out to identify the Investment, and Seller to ensure verification of the identity of these parties;
- ii. the name of the Investment and Seller's underlying principals/controlling persons is checked against the list of suspected terrorists/terrorist organisations published by the Government of the country of the PG Entity (if any), the United Kingdom, the United States the United Nations, the European Union and any other relevant list;
- iii. the controlling person and/or beneficial owner of both the Investment and the Seller are identified and adequate risk-based measures are taken to verify the owner's identity;
- iv. upon partial or full exit of an Investment, points (i), (ii), (iii) will also apply to the Buyer.

3.2. Minimum AML/CFT Controls for other types of Investments

For Investments where the PG Entity must rely on other institution's AML/CFT procedures and controls, it is the PG Entity's responsibility to obtain evidence that reliance can be placed on this third party. In addition, where the acquisition of an Investment includes third parties who invest alongside a PG Entity investing on behalf of its Customers, the PG Entity must apply appropriate risk based due diligence on the co-investing party.

3.3. Risk Classification of Customers and Investments

As part of the due diligence process, a risk assessment is undertaken by the PG Entity which conducts AML/CFT activities to determine whether a potential Customer is to be classified as low, medium- or high-risk. Furthermore, Investments shall also be classified as low, medium or high risk. In determining the risk classification of both Customers and Investments, the PG Entity shall follow local rules and regulations but as a minimum standard the following factors shall be considered:

- i. For Customers: Registered office, permanent place of residence, nationality, jurisdiction of business activities. For Investments: Industry, jurisdiction, type of Investment

Traditionally Customers are from countries which adhere to Financial Action Task Force ("FATF") recommendations and standards, such as Western Europe, Scandinavia and the United States. Customers who have their residence in a non-FATF country can be generally regarded as posing a higher risk. Depending on the circumstances, a higher risk rating can also be given in case of a Customer or beneficial owner which is a national of a FATF country. Moreover, the same applies to the jurisdiction in which Investments are acquired. Some



industries are generally considered higher risk from an AML/CFT perspective. A list of high-risk industries is to be maintained and reviewed on an annual basis.

ii. Relationship with the Customer and key principals/controlling persons of an Investment

A face to face relationship with the Customer (i.e. a situation where an employee has met with or has known the Customer over a period of time) could act as a mitigating factor. The degree of ownership and appointment of a board and/or executive member of PG Group can also be a risk mitigating factor when acquiring an Investment. Furthermore, if the Seller or Buyer of an Investment is an existing Customer, this can also be a risk mitigating factor. The same is true for a well-known Customer in the private market industry or the acquisition of an Investment owning internationally respected brand(s), or if the Seller or Buyer is a well-known international brand name in their respective industry.

iii. Politically Exposed Persons ("PEPs")

Where an underlying principal/controlling person or beneficial owner has been identified as a PEP, the Customer or Investment may generally be classified as high-risk.

3.4. Monitoring

Monitoring by a PG Entity of its Customers or Investment occurs on a regular basis taking into consideration any specific facts or circumstances revealed during the due diligence process. The frequency of the monitoring also depends on the risk assessment of the Customer or Investment as a PG Entity will conduct more frequent monitoring checks in the case of a high-risk Customer or Investment.

4. Transaction monitoring

If so required by applicable laws, monitoring by a PG Entity shall also include monitoring of Customer transactions, and additional investigations shall be carried out into business transactions that are considered higher risk.

Principally, as the remitting banks are required to comply with the official sanction lists promulgated by the United Kingdom, United States, United Nations, European Union and other government or international bodies, PG Group considers the sanctions screening completed by the banks as a component of transaction monitoring. However, PG Group additionally operates an IT supported system, which also monitors the vast majority of transactions.

4.1. AML/CFT relevant transaction

From a money laundering and terrorism financing perspective any incoming cash flow with the exception of foreign exchange transactions (spot transactions) and internal transfers is deemed an AML/CFT relevant transaction. Foreign exchange transactions and internal transfers are not considered as AML/CFT relevant transactions as these are transactions with no exposure to external parties but the involved bank.



4.2. Definition of transactions involving increased risks

The following transactions may be indicators for transactions with increased risks:

- a) Deviances from usual transaction volumes and frequencies in the business relationship;
- b) Incoming cash flows which are carried out without plausible explanation;
- c) Incoming cash flows without a respective capital call or distribution notice issued to Customers or received by an Investment or incoming cash flows that cannot be brought into association with a capital call or distribution notice;
- d) Deviances of incoming cash flows in terms of expected time or amount.

5. Suspicion reporting

A PG Entity establishes appropriate and effective procedures and controls to ensure that all its employees know to whom and in what format their suspicions should be reported and that employees are able to report suspicious transactions or activities, or other suspicions regarding a particular Customer, Investment or transaction, where applicable. Please see Wiki page for full list of contacts.

A Suspicious Activity Report (SAR) or Suspicious Transaction Report (STR) covers activity that is out of the ordinary that raises concern or suspicion that an associated party is attempting to hide something illicit or make an illegal transaction. Where it has been determined by the relevant officer of the PG Entity that a SAR/STR by an employee does not result in there being sufficient evidence of inappropriate activity, then the relevant officer maintains a written record of the reasons for not submitting a SAR/STR to the relevant authorities. Otherwise (provided this is permitted by local laws) the relevant officer will escalate the suspicion to the relevant local money laundering reporting officer (or equivalent officer), regional head of compliance and head of global compliance who will, after having consulted with the general counsel and the Executive Team of Partners Group Holding AG, decide on preparing an official suspicious report to the appropriate local authorities. Note, where local laws apply in terms of who a SAR/STR is required to be reported, this escalation should apply. The relevant officer also maintains a register of suspicious reports which are made to the appropriate local authorities, together with copies of the relevant discovery materials and conclusions.

The fact that a suspicious report is made must be kept confidential, in order to avoid committing an offence under “tipping off” legislation.

6. Responsibilities and training

6.1. Compliance management

Day to day responsibility for AML/CFT compliance and implementation is vested in the appointed employees for each PG Entity where AML/CFT activities are carried out. As permitted by local laws, their tasks include:

- i. overall monitoring of the implementation of this Directive and local AML/CFT policies;



- ii. monitoring and reporting of suspicious transactions;
- iii. maintaining contact with local and international law enforcement agencies and other institutions that are involved in combating money laundering and financing of terrorism;
- iv. ensuring the submission of reports to the board/management of the respective PG Entity and the relevant regional head of compliance and head of global compliance; and
- v. ensuring access by the relevant regional head of compliance and their teams to all AML/CFT files.

6.2. Delegation

A PG Entity may "delegate"¹ certain functions with regard to AML/CFT. If such activities are delegated, the PG Entity will put into place agreements which disclose the functions to be delegated to the third party or another PG Entity. In addition, where the delegation is to a third-party service provider, the PG Entity will visit such service provider on a regular basis or as the business deems necessary to monitor and assess the implementation of their AML/CFT obligations. Where the delegation is to another PG Entity, a risk-based approach will apply when undertaking any assessment or ongoing monitoring. The ultimate responsibility and accountability for the delegated function remains with the PG Entity, which cannot discharge itself of its obligations in this respect.

6.3. Employees

PG Group will ensure that all employees are of the required standard of competence for handling anti-money laundering issues that may arise given their role at PG Group. Further, the following screening measures will be implemented:

- i. obtaining and confirming appropriate references at the time of recruitment for all levels of employees;
- ii. requesting information from the individual concerned with regard to any criminal convictions and the provision of a check of his/her criminal record; and
- iii. obtaining any additional background checks that might be deemed necessary or appropriate.

The above checks apply not only to permanent employees, but also to temporary employees, contractors, interns and volunteers.

6.4. Employee Training

PG Group ensure that relevant employees receive the necessary ongoing training for AML/CFT which includes, where applicable, enhanced training to the board of the relevant PG Entity. In particular each PG Entity ensures that it is kept informed of:

- i. the customer due diligence requirements and the requirements for the reporting of suspicious activity;

¹ In this instance delegate is defined as when a PG Entity appoints a third party to do one or more core licensed functions or a PG Entity appoints a third party to do other activities sometimes referred to as outsourcing.



- ii. any relevant local legislative/regulatory requirements;
- iii. any relevant criminal and/or regulatory sanctions in place for failing to report information in accordance with applicable laws and regulations in the country of the PG Entity.

Employees are provided with appropriate training to enable them to adequately and responsibly assess the information that is required for them to judge whether an activity or business relationship is suspicious given the circumstances.

7. Audit Function

PG Group shall have in place an internal audit function that is required to periodically assess, in an independent way, the AML/CFT processes, procedures and controls PG Group subsidiaries have in place in accordance with the risk assessment and as approved by the Risk and Audit Committee of PG Group. The internal audit function exercises due diligence by issuing recommendations or corrective measures as well as ensuring they are effectively followed. The results of any AML/CFT audit will be communicated to the Global Head of AML, the board of the PG Entity and Partners Group Holding AG by presenting a summary report with respect to compliance with AML/CFT obligations as part of their audit report.