Overview

Partners Group is a global private markets investment management firm with USD 78 billion in investment programs under management in private equity, private real estate, private infrastructure and private debt. Since 2008, Partners Group has incorporated the ESG standards put forth by the UN Principles for Responsible Investments (UN PRI) into its investments. In 2018, in response to client demand for the organization to create a private markets fund delivering measurable social and environmental impact, Partners Group launched PG LIFE, an investment strategy focused on the UN’s Sustainable Development Goals. The blended private markets strategy has the dual mandate to achieve competitive risk-adjusted financial returns alongside measurable, positive social and environmental impact. In particular, SDGs 1, 3, 4, and 7, relating to financial inclusion, healthcare, education, and clean energy, are the focus of PG LIFE’s investment strategy.\(^\text{13}\)

<table>
<thead>
<tr>
<th>SDGs TARGETED</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDG: 1 No Poverty</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy name</th>
<th>PG LIFE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset manager</td>
<td>Partners Group</td>
</tr>
<tr>
<td>Headquarters</td>
<td>Zug, Switzerland</td>
</tr>
<tr>
<td>Inception year</td>
<td>2018</td>
</tr>
<tr>
<td>Asset class</td>
<td>Private equity, private infrastructure, private real estate, and private debt</td>
</tr>
<tr>
<td>Target AUM</td>
<td>USD 1 billion</td>
</tr>
<tr>
<td>Ticket size</td>
<td>USD 100m to USD 1bn total investment from Partners Group-managed funds, a portion of which comes from PG LIFE</td>
</tr>
<tr>
<td>Target returns</td>
<td>Market rate</td>
</tr>
<tr>
<td>Geographic focus</td>
<td>Global</td>
</tr>
<tr>
<td>Sectors of investment</td>
<td>Healthcare, education, clean energy, and financial inclusion, among others</td>
</tr>
<tr>
<td>Types of investors</td>
<td>Pension funds, sovereign wealth funds, family offices, and high-net-worth individuals</td>
</tr>
</tbody>
</table>

\(^{13}\) PG LIFE considers investments beyond these four sectors if they offer a compelling case for contribution to one or more SDG targets.
Fund structure

PG LIFE invests on behalf of its clients, which are pension funds, sovereign wealth funds, family offices, and high-net-worth individuals. It makes select private equity, private infrastructure, private real estate, and private debt investments alongside other Partners Group-managed funds. PG LIFE aims to make control investments so that it can maximize value in portfolio companies by driving strategic initiatives and operational improvements.

PG LIFE has an Impact Committee comprising senior-level employees of Partners Group, which is responsible for vetting investment opportunities in the broader Partners Group deal pipeline to identify those that contribute to achieving the SDGs. The Impact Committee also annually reviews the organization’s impact measurement and management, ensuring it adheres to industry best practice. An external governance body, known as the LIFE Council and led by industry leaders, ensures that the Impact Committee fulfills PG LIFE’s dual mandate to support the SDGs and generate market-rate returns. The LIFE Council also provides broad recommendations on improving impact methodology.

SDG strategy in practice

Motivations

Partners Group became a signatory of the UN PRI in 2008. Thereafter, it developed tools to integrate environmental and social considerations into its investment processes, screening out any investments that generate significant negative impact and identifying ways to create value from improved ESG performance.

Building on this heritage of responsible investing, Partners Group has developed a specific strategy to go one step further by investing in companies whose core products and services contribute to achieving the SDGs, a framework that it believes is both simple enough for a wide range of stakeholders to understand and robust enough to inform an investment strategy.

Strong market demand motivated the launch of the SDG-driven PG LIFE strategy. Clients, such as corporate and public pension funds and sovereign wealth funds, requested a separate investment strategy with a focus on investments that facilitate sustainable development.

Partners Group initially considered a strategy using the Social Progress Index methodology, but it decided to transition to the SDGs in 2017 because they offer a more universally recognized framework that can align and communicate impact objectives across a broad group of stakeholders.
SDG integration throughout the investment process

Sourcing and due diligence

Partners Group selects deals for impact evaluation for PG LIFE that directly contribute to one or more SDG targets through their core business activities and that meet the strategy’s requirements for financial risk and return. The PG LIFE Impact Committee assesses deal flow on a weekly basis to identify potential investments meeting the following minimum impact criteria:

- A clear link between the company/asset’s core product or service and at least one SDG target;
- More than half of company/asset revenue supports at least one SDG target; and/or the company has significant market share;
- The company/asset has no ESG controversies and does not significantly detract from any SDG target.

Partners Group then works with a third-party impact assessment provider. First, deals in the pipeline are assessed for impact against the SDGs, beginning with a logic model that sequences how each company or asset creates impact, both positive and negative. Next, each investment is scored on a five-point scale using PG LIFE’s SDG target rating based on the Impact Management Project’s five dimensions of impact.\(^{14}\) Finally, relevant impact metrics are identified based on the created logic model, GRI’s Business Reporting on the SDGs,\(^{15}\) and the GIIN’s IRIS metrics.\(^{16}\)

Investment selection and structuring

After the due diligence process, the five-member Impact Committee reviews and votes—on a scale from one to four—to decide whether an investment can be included in PG LIFE. Two criteria are required: (1) the five scores must average 2.7 or more; and (2) no more than one of the five scores can be two or below.

Investment management

Within the first hundred days after investment, Partners Group’s PG LIFE team presents the company/asset management team with the proposed impact goals and metrics, along with risks identified during due diligence. During this time, the PG LIFE team works with the management team to agree on impact metrics, address how to manage risks, and establish systems to collect impact data. The third-party impact assessment provider collects and analyzes impact data annually, which PG LIFE then reports to its investors.

---


\(^{15}\) Business Reporting on the SDGs is an Action Platform to accelerate corporate reporting against the Global Goals established by GRI and the United Nations Global Compact. For more information, see [https://www.globalreporting.org/information/SDGs/Pages/Reporting-on-the-SDGs.aspx](https://www.globalreporting.org/information/SDGs/Pages/Reporting-on-the-SDGs.aspx).

\(^{16}\) IRIS is the GIIN’s catalog of generally accepted performance metrics. For more information, see [https://iris.thegiin.org/](https://iris.thegiin.org/).
Investment example

Investment description
Techem is a global market leader in the provision of heat and water sub-metering services. It helps customers and tenants in about 11 million apartments across 20 countries consume water and heat more efficiently and reduce utilities cost.

Geography
Europe (primary), UAE, Turkey and Brazil

Instrument
Private equity; private infrastructure

Investment year
2018

Contribution to SDG targets
SDG 7 – Affordable and clean energy
Target 7.3 – By 2030, double the global rate of improvement in energy efficiency
SDG 6 – Clean water and sanitation
Target 6.4 – By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity, and substantially reduce the number of people suffering from water scarcity

Environmental impact
Techem solutions today account for 6.9 million tons of CO2 emission savings per year, thus contributing to global climate protection objectives.

Impact measurement
Metrics include: amount of reduction in energy; amount of energy savings over the lifetime of the product; amount of reductions in greenhouse gas (GHG) emissions over the lifetime of products sold; and total volume of water saved per annum.

“"It’s important to avoid a scattershot approach to identifying how a given investment can contribute to achieving the SDGs. During the due diligence process, prioritize where most of the potential positive and negative impact lies and do a deep dive into those targets.”

– Adam Heltzer, Head of ESG & Sustainability

Advice for other investors

According to Adam Heltzer, Head of ESG & Sustainability at Partners Group, impact investment managers must reach internal consensus on a definition of impact and then clearly articulate it externally. Often, managers discover that different stakeholders have varied definitions or perceptions of what they consider impact towards the SDGs. Externally, this variation can muddle the message about the manager’s unique contribution to the space.

Partners Group’s Heltzer also strongly recommends being precise about how an investment aligns with the SDGs. Rather than mapping investment impact to broad high-level goals, an effective approach is to examine the target and indicator level guidance provided by the SDGs and determine how the investment is positioned to contribute. Heltzer notes that enterprises can have impact on a wide range of SDG targets, but it is best to be specific in developing impact theses and prioritize a few SDG targets.

Heltzer also advises acknowledging the limitations of the SDGs. For example, while sharing common goals and targets is valuable, the SDG indicators tend to be more oriented towards government and policy. Therefore, it is critical to thoroughly consider all three levels of SDG guidance (goals, targets, and indicators) within the context of the impact investing ecosystem. Then an asset manager can transform these levels into actionable items and clearly communicate the process to investors.

Outlook for the industry

Partners Group views the SDGs as a framework around which to build consensus and communicate intended impact goals for investors. However, Heltzer points out that the SDGs have the potential to be used by some firms as a marketing tool, linked to almost any investment activity or company without an objective authority or means to determine the appropriateness of the SDG designation. This phenomenon can be observed in some annual reports, when companies claim to contribute to various SDGs but offer no clear plan or approach to doing so. Heltzer notes that this puts the onus on LPs to ascertain what separates a robust SDG methodology from “SDG-washing.”

Heltzer also notes a substantial uptick in both the number of large private market investment managers offering impact investment strategies and in the approaches to measuring impact. Notwithstanding some progress in this regard, Heltzer suggests the industry think critically about how to collectively catalyze action to standardize impact measurement. This would spur virtuous competition among impact investment managers to deliver meaningful environmental and social impact returns that further the SDGs.
Partners Group PG LIFE risk factors & suitability considerations

This information contained herein is for discussion purposes only and highly confidential and is being provided to you at your request and is not an offer to sell or solicit an offer to buy an interest in a fund. It is not intended that it be relied on to make any investment decision. The information is not to be published, reproduced and redistributed in any form by recipients without the prior consent of Partners Group AG or its relevant affiliate (generally, “Partners Group”). Each person accepting this presentation thereby agrees not to distribute it to any other party and to return it promptly upon request. A private offering of interests in a fund will be made only pursuant to a confidential private placement memorandum (a “PPM”) and the applicable fund’s subscription documents, which will be furnished to a limited number of qualified investors on a confidential basis at their request in connection with such offering. The information contained herein will be superseded by, and is qualified in its entirety by reference to, the PPM, which contains information about the investment objective, terms and conditions of an investment in a fund and also contains tax information and risk disclosures that are important to any investment decision regarding that fund. The information contained herein was prepared without regard to the specific objectives, financial situation or needs of any particular investor who may receive this presentation. An investment is not a deposit and is not insured by the federal deposit insurance corporation or any other government agency or by Partners Group. Investments in any fund are speculative and will involve significant risks, including loss of the entire investment and lack of transparency. Before deciding to invest in a fund, prospective investors should pay particular attention to the risk factors contained in the PPM. Investors should have the financial ability and willingness to accept the risks inherent in a fund’s investment.

Certain significant risks include, but are not limited to: lack of operating history; economic, political and legal risks; currency risk; leverage risk of borrowing by a fund; auditing and financial reporting; possible lack of diversification; control issues; financial market fluctuations; illiquid investments; mezzanine investments; real estate; hedging risk and adjustment of the relative value weights by the general partner.

In the event an investor in a fund defaults on its obligation, a fund might be unable to pay its funding obligations to one or more of the investment funds and thus be deemed to be in default. In such an event, a fund, and therefore all investors in a fund (including those not in default), could become subject to consequences that may result in significant penalties that could materially adversely affect the returns to investors.

An investment in the fund shall not grant any investor rights (including voting rights) with respect to the investments made by the fund. A fund’s investments, or institutions related to a fund’s investment, may have other business relationships with the general partner of such fund or its affiliates.

Investors will not have an opportunity to evaluate the terms of a potential investment by the fund prior to the fund making such investment. Partners Group, in the course of establishing and managing the fund has obtained and may in the future obtain certain confidential information relating to underlying funds in which the fund invests and their respective portfolio companies that has not been and will not be disclosed. Because of the specialized nature of this fund, an investment in a fund may not be suitable for certain investors and, in any event, an investment in a fund should constitute only a limited part of an investor’s total portfolio.
Partners Group and its affiliates do not provide tax advice. Nevertheless, to ensure compliance with requirements imposed by the U.S. Internal Revenue Service, we inform you that, unless specifically indicated otherwise, any US federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

Certain information contained herein has been obtained from sources Partners Group believes to be reliable. Partners Group does not undertake to update any information contained in this presentation. Any forecasts provided herein are based upon Partners Group’s opinion of the market and are subject to change at any time.

Investors should bear in mind that past performance is not indicative of future results. There can be no assurance that any fund will achieve its targeted results. Certain information contained herein constitutes forward-looking statements. Due to various risks and uncertainties, actual events or results or actual performance of a fund may differ materially from those reflected or contemplated in such forward-looking statements. As a result, investors should not rely on such forward-looking statements in making their investment decisions.