



Annual Report 2016

Performance drives growth



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

Contents

Key figures	4
Message from the Chairman and the Co-CEOs	6
2016 at a glance – Partners Group's business model and review of financial performance	
Investments	8
Clients	12
Financials	15
Outlook	19
Market commentary	21
ESG and Corporate Responsibility Report	28
Consolidated financial statements	56
Financial statements of Partners Group Holding AG	126
Compensation Report	141
Corporate Governance Report	164
Contacts	190

In 2016, Partners Group recorded strong growth across all metrics. New investments, as well as assets under management, developed in line with aspirations and financial performance reached a new record, exceeding CHF 500 million in profit. Our leading position in private markets and strong investment track record also led to a substantial share price increase during the year, making Partners Group the second most valuable listed private markets investment manager globally at year-end.

Key figures



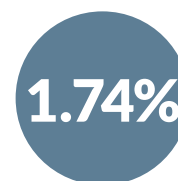
professionals



offices around
the world



assets under
management



revenue margin



revenues¹



EBITDA



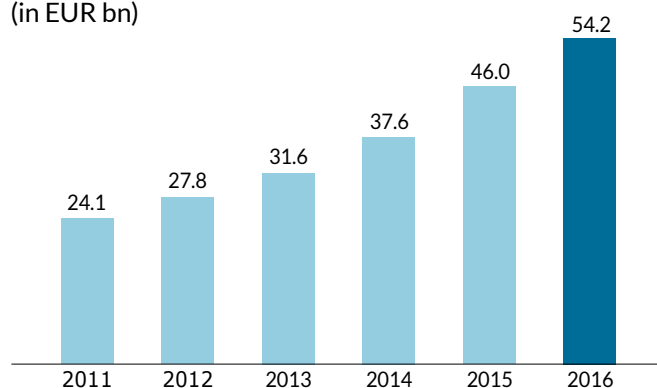
IFRS profit



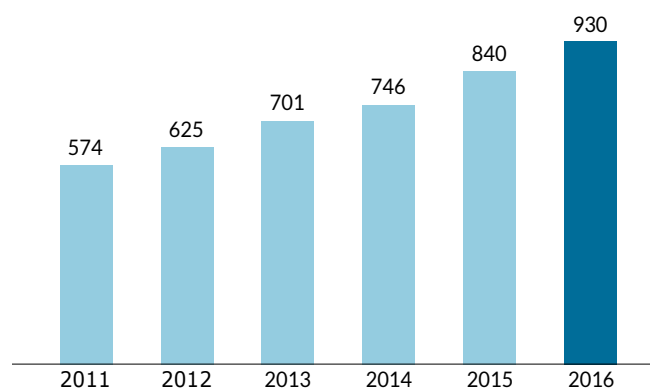
proposed dividend

¹ Revenues from management services, net, including other operating income and share of results of associates.

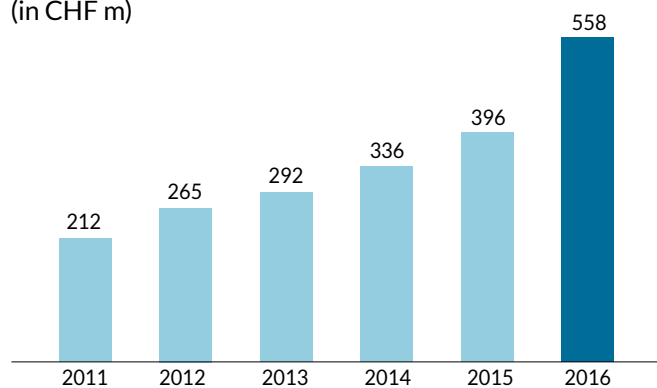
Total assets under management¹
(in EUR bn)



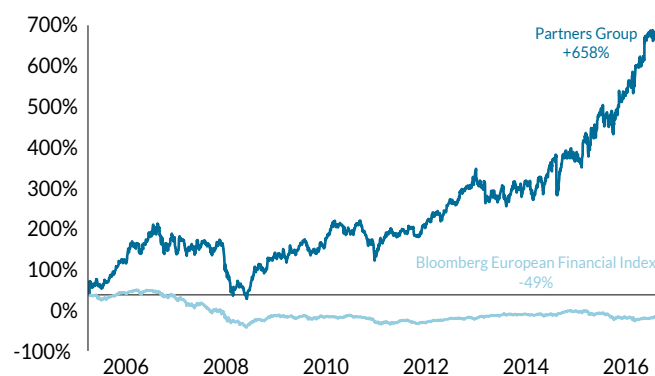
Number of professionals



Profit²
(in CHF m)



Share price development since IPO



¹ Assets under management exclude discontinued public alternative investment activities and divested affiliated companies. ² Partners Group had adjusted its profit for specific non-cash items related to the capital-protected product Pearl Holding Limited until 2014; the successful conversion of Pearl in September 2014 has consequently made Partners Group's adjusted net profit equal to its IFRS profit from 2015 onwards.

Key figures

	2015	2016
Assets under management (in EUR bn)	46.0	54.2
Average assets under management (in EUR bn, daily weighted)	41.9	51.2
Revenue margin ^{1,2}	1.38%	1.74%
Revenues (in CHF m) ²	619	973
EBITDA margin	59%	62%
EBITDA (in CHF m)	367	601
Financial result (in CHF m)	81	38
IFRS profit (in CHF m)	396	558
Net liquidity position at end of year (in CHF m) ³	650	895
Shareholders' equity (in CHF m)	1'224	1'541
Return on shareholders' equity (ROE)	35%	40%
Equity ratio	82%	80%

1 Based on average assets under management calculated on a daily basis. **2** Revenues from management services, net, including other operating income and share of results of associates. **3** Including loans to products and borrowings.

Share information as of 31 December 2016

Share price (in CHF)	477.25
Total shares	26'700'000
Market capitalization (in CHF bn)	12.7
Free float ¹	82.33
Diluted shares (weighted average)	26'673'997
Diluted earnings per share (in CHF)	20.92
Dividend per share ² (in CHF)	15.00
Dividend yield per share ²	3.1%
Bloomberg ticker symbol	PGHN SW
Reuters ticker symbol	PGHN.S

1 According to SIX Swiss Exchange definition. **2** As per proposal to be submitted to the 2017 Annual General Meeting of shareholders; yield as of 31 December 2016.

Corporate calendar

10 May 2017	Annual General Meeting of shareholders
15 May 2017	Ex-dividend date
16 May 2017	Dividend record date
17 May 2017	Dividend payment date
13 July 2017	Assets under management announcement as of 30 June 2017
12 September 2017	Publication of Semi-Annual Report as of 30 June 2017

Message from the Chairman and the Co-CEOs

Dear clients, business partners,
shareholders and colleagues,

We are pleased to report another successful year for Partners Group: new investments as well as growth in assets under management developed in line with our aspirations and reflect institutional investors' increasing appreciation of private markets as an integral component of a long-term investment portfolio. As a consequence, financial performance reached a new record, exceeding CHF 500 million in profit. At the same time, the public market continued to recognize our leading position in private markets and track record of consistent business performance, which has led to a substantial share price increase. The valuation of Partners Group at USD 13 billion at year-end made our firm the second most valuable listed private markets investment manager globally.

Investments: systematic sourcing and value creation

In 2016, we invested USD 11.7 billion on behalf of our clients across private equity, private debt, private infrastructure and private real estate. This was the result of a systematic and highly selective sourcing effort in an environment characterized by large amounts of excess liquidity and elevated valuations. In this environment, we particularly concentrated our asset selection and active value creation processes on those drivers of private market returns that explain private markets' outperformance vis-à-vis public markets. These drivers include direct access to information about companies or assets, intense and comprehensive due diligence, strong alignment between supervision and management in governance and a focus on operational improvement throughout the life of an investment.

As a result, we were able to increase revenues by 14% and EBITDA by 15% across our direct private equity portfolio in 2016. Our Industry Value Creation team worked alongside our private markets investment teams and realized further growth in our assets through hands-on operational improvements.

In addition, in pursuing our ambition to be a role model in corporate responsibility, we continued to raise the bar in terms of environmental, social and governance (ESG) standards. Our Responsible Investment methodology ensures that these factors are considered during the entire investment life cycle. In 2016, our 25 largest private equity investments alone created over 10'000 new jobs, and our low-carbon power infrastructure assets avoided over 1 million metric tons of

carbon dioxide. Specific examples are provided in our ESG and Corporate Responsibility Report, included in this Annual Report, which was for the first time prepared in line with the Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines. The report describes how we invest responsibly by integrating ESG factors throughout our investment processes, how we aim to ensure that Partners Group itself is managed responsibly, and how we use our investment expertise to positively contribute to society beyond our core business.

Our achievements on the investment side were again well recognized by the broader industry. Among several awards collected in 2016, our real estate secondaries business was honored with PERE magazine's Real Estate Secondaries Firm of the Year Award, while our infrastructure business was named Energy Investor of the Year in Asia by Infrastructure Investor, following our investments in a Taiwanese solar power development platform and Sapphire Wind Farm in Australia.

Clients: serving complex needs through innovation

In 2016, Partners Group's clients entrusted the firm with a total of EUR 9.2 billion in client demand. An increasing number of investors realize that an allocation to private markets can provide additional return potential as well as diversification benefits to their long-term portfolios. These investors tend to partner with a private markets investment management firm that has a broad view and relative value assessment across all relevant private markets asset classes, and that can consistently deliver risk-adjusted returns through economic cycles. Many expect tailor-made mandate solutions and reporting services that cater to their increasingly complex needs.

Partners Group has been at the forefront of innovation for private markets clients, offering state-of-the-art services to traditional institutional clients on the one hand, and creating and launching cutting-edge programs and products for newer client segments like HNWI's on the other hand.

In 2016, we were recognized by the broader industry with regards to our ability to create new programs that cater to specific client segment investment needs: our UK Partners Group Generations Fund, one of three funds launched by Partners Group specifically for the defined contribution pensions market, received two prestigious awards for innovation, one from the UK Private Equity Awards 2016 and one from pensions magazine Pensions Insight.

Furthermore, we have advanced our portfolio services, which reduce clients' administrative burden and help manage regulatory complexity, bringing their private markets portfolios closer to their public markets investments with regards to transparency, accessibility, performance measurement and administration.

Message from the Chairman and the Co-CEOs (continued)

Financials: committed to dividend growth

The impact of two decades of strong investment performance can now clearly be seen in our financial performance. In 2016, performance fees more than quadrupled to CHF 294 million (2015: CHF 64 million). In private markets, performance fees are typically only charged once investments in a particular investment program or portfolio are realized and a pre-defined return hurdle has been exceeded. Because the value creation period lasts for several years, performance fees on these successful investments can typically only start to be earned six to nine years after an investment program commences its investment activities. The considerable increase in Partners Group's revenues from performance fees in 2016 was therefore a result of several mature portfolios passing their return hurdles during the period.

While performance fees are a welcome addition to Partners Group's revenue and EBITDA development, management fees continue to be at the core of our business model with an expected long-term share of 70-80% of revenue. Overall revenue grew by 57% to CHF 973 million and – due to ongoing cost discipline – EBITDA also increased significantly to CHF 601 million (up 63%). The IFRS profit reached CHF 558 million.

Based on the strong development of the business across asset classes and regions, the substantial increase in our financial performance and our confidence in the sustainability of the firm's growth and profitability, we are pleased to report that Partners Group's Board of Directors will propose a dividend of CHF 15.00 per share (2016: CHF 10.50 per share) to its shareholders at the Annual General Meeting on 10 May 2017. This represents a dividend increase of 43% and a dividend yield of 3% of the share price as of 31 December 2016.

Outlook: expecting sustainable growth at stable margins

We are confident both about the ongoing growth trends driving the private markets industry and about Partners Group's attractive positioning within the industry. The continued build-out of our investment platform and the effectiveness of our investment, client and service teams will enhance our ability to create value for our clients and to provide attractive returns to our shareholders. For the full-year 2017, we project gross client demand of EUR 8-10 billion for our investment solutions across all asset classes, regions and types of investors.

We thank our clients and business partners for their continued trust in Partners Group. We also thank our shareholders for their support and commitment. And we are deeply grateful to our colleagues for their intense and thoughtful work, their energy and drive, as well as their loyalty to our firm.



Dr. Peter Wuffli

Chairman of the Board of Directors



André Frei

Co-Chief Executive Officer



Christoph Rubeli

Co-Chief Executive Officer

2016 at a glance – Partners Group's business model and review of financial performance

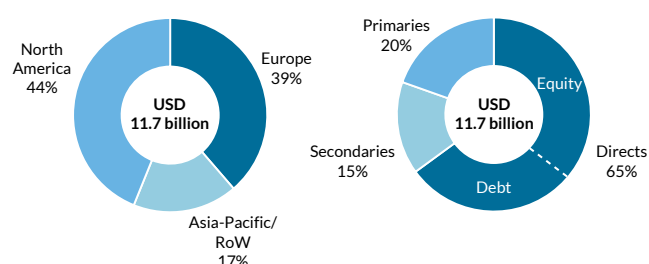
Investments

In 2016, we expanded our platform to 930 employees (2015: 840) across 19 offices with the aim of systematically sourcing and ultimately investing in an even larger opportunity set, while remaining disciplined in an uncertain market environment characterized by high valuations. This strategy enabled us to increase our investment activities in 2016 to an invested amount of USD 11.7 billion (2015: USD 9.7 billion) across all private markets asset classes on behalf of our clients, including the reinvestment of distributions in evergreen investment programs.

Of this amount, a total of USD 7.6 billion (65% of all investments) was deployed in direct transactions across all asset classes: USD 4.4 billion in 33 individual assets across private equity, private real estate and private infrastructure and USD 3.2 billion in 41 credits. Our secondaries investment teams invested a total of USD 1.8 billion (15% of all investments) in globally diversified private markets portfolios. To complement our direct and secondary investments, we committed USD 2.3 billion (20% of all investments) to select private markets managers.

Investment activities continued to remain geographically diversified in 2016, with 39% of capital invested in Europe, 44% in North America and 17% in Asia-Pacific and emerging markets, reflecting our global reach and scope.

Private markets investments during 2016 (based on volumes)



Note: figures exclude investments executed for short-term loans, cash management purposes and syndication partner investments.

Sustained emphasis on screening

Our relative value investment approach endeavors to ensure that only the most attractive assets on a global basis are selected for investment. In 2016, we screened 3'794 direct transactions across asset classes and invested in only 74 of them, resulting in a decline rate of 98%. Our secondary investment specialists screened USD 129 billion in private markets assets and invested in less than 2% of these.

Deal flow 2016

	Directs	Secondaries	Primaries
Private equity	1'168	USD 82 billion	269
Private debt	476	n/a	2
Private real estate	1'448	USD 36 billion	249
Private infrastructure	702	USD 12 billion	88
Total	3'794	USD 129 billion	608
Executed	USD 7.6 billion 74 transactions*	USD 1.8 billion 25 transactions	USD 2.3 billion 49 commitments

*Including 41 credits amounting to USD 3.2 billion.

Note: figures exclude investments executed for short-term loans, cash management purposes and syndication partner investments.

Private market investments in 2016

Private equity

In private equity, we concentrated on the healthcare, education, consumer and business/financial services sectors. Our investment appetite is centered around specific sub-sectors or market niches where growth is transformative and outpaces the mean. The transformative trends we are most focused on in the current market environment are digitalization and outsourcing. Select 2016 investment examples are shown below.

In March 2016, we acquired **Guardian Early Learning Group**, one of the largest childcare groups and providers of early childhood education in Australia. Founded in 2004, at the time of the acquisition Guardian owned 71 early learning centers that provide more than 10'000 families and their children with high-quality early learning and care on a daily basis. Since the acquisition closed, and in line with our over-arching platform investment strategy, Guardian has already made one add-on acquisition of another franchise operating seven early childhood education centers.

In September 2016, we made a majority investment in **Foncia**, France's market-leading provider of residential property management services, together with Caisse de dépôt et placement du Québec and CIC Capital Corporation. Foncia provides a range of services to residential property owners and tenants, including joint-property management, lease management and rental and transaction services. It also provides ancillary services such as diagnostic solutions, insurance brokerage, asset management and energy brokerage. We will work with Foncia's management team to continue the company's successful strategy of consolidation in the highly fragmented French property management market, develop the company's offerings in related product areas, and accelerate its international expansion.

In October 2016, we acquired IT support services provider **Systems Maintenance Services (SMS)**. Founded in 1981,

2016 at a glance – Partners Group's business model and review of financial performance (continued)

US-based SMS is headquartered in Charlotte, North Carolina, and provides IT infrastructure services to a client base of more than 3'000 businesses. SMS is the global market leader in third-party IT maintenance services across North America, Europe and Asia-Pacific. We aim to work with management to continue the company's growth, both organically and through select acquisitions. One significant add-on acquisition for SMS has already taken place: in January 2017, SMS and Curvature, the industry leader in new and pre-owned network hardware and IT infrastructure services, announced a definitive agreement under which the two companies would merge to become the world's premier IT network and data center lifecycle services and solutions provider.

Private real estate

Several key transformative trends are redefining real estate markets globally and influencing property design. These include demographic shifts, which in turn impact residential and office occupier requirements, and the rise of the global consumer and subsequent growth in e-commerce, which impacts retail and logistics demand. Areas not previously considered as prime central business district locations are being transformed by infrastructure into key transit-oriented locations and formerly run-down urban pockets are offering opportunity for new development. In the current environment, we focus on a wide variety of real estate investment opportunities that are located within 'up-and-coming' secondary cities that are on the verge of becoming new metros, or areas that benefit from increasing demand for logistics infrastructure. Select 2016 investment examples are shown below.

In March 2016, we invested in **IPS Logistics'** facilities at the Port of Brisbane, Australia. The IPS Logistics facilities comprise five buildings totaling over 90'000 square meters of gross leasable area, together with land allowing for up to 30'000 square meters of new accommodation. The buildings provide outstanding warehouse, transport and logistics solutions to occupiers reliant on import and export products shipped via the Port of Brisbane. Australia's industrial market features strong demand for well-located distribution facilities in close proximity to port infrastructure and IPS Logistics is perfectly positioned to cater to that.

In April 2016, we invested in **Riata Corporate Park**, an over 688'400 square foot Class A eight-building office park in Austin, Texas, which is also positioned to benefit from momentum in the local real estate market. Meanwhile, our May 2016 acquisition of **Bank of America Plaza**, a 20-story, over 435'500 square foot office tower located in Nashville, Tennessee's central business district, has already experienced strong lease-up activity in line with underwritten expectations that capitalize on key transformative trends.

Private debt

As a lender, we believe that the most attractive opportunities in the current market environment are to be captured outside the larger syndicated loans markets. For example, the margin compression in the European senior loan syndicated market has not impacted the European mid-market and unrated lending space as significantly, due to the different investor bases addressing each market and the need for flexible and creative financing from borrowers. Mid-market lending activity therefore continues to benefit from a tailored structuring premium and more stable spreads. Select 2016 investment examples are shown below.

We acted as Mandated Lead Arranger in the junior debt financing of Belgium-headquartered **ADB Lighting Solutions**, a global leader in airfield lighting technology, in February 2016. ADB Lighting Solutions is a global leader in airfield ground lighting products and systems. The transaction supported ADB's add-on acquisition of Safegate International.

Meanwhile in Asia, liquidity remains abundant, driven by regional and domestic banks that provide senior debt for local deals. We have therefore identified relative value in the subordinated parts of the capital structure, where banks are not typically natural long-term holders. We invested AUD 160 million as the sole second lien debt provider to support the acquisition of risk management services company **SAI Global** in December 2016. SAI Global is headquartered in Sydney, Australia, and employs more than 2'000 people in 29 countries. It is a leading global provider of risk management products and services to help organizations manage risk and uncertainty. These include, among others, training on and certification and auditing against local and international standards.

Private infrastructure

We have identified three global trends which we expect will continue to generate attractive infrastructure investment opportunities: the continued global increase of renewable energy targets; the growing demand for communication infrastructure; and corporate divestitures driven by the correction in power and commodity prices. In line with these trends, we favor the renewable energy, communications, and power and energy infrastructure sectors globally. Select 2016 investment examples are shown below.

In July 2016, we acquired **Axia Net Media**, a fiber network operator. The company designs, installs and operates 'open access' fiber-based internet and data networks across North America and France and operates approximately 26'000 km of fiber networks. We will support Axia in rolling out fast fiber connections to underserved communities in France, their home province in Canada and in select communities in the US.

2016 at a glance – Partners Group's business model and review of financial performance (continued)

Generally, however, the majority of our deal flow in North America continues to be in the power and energy infrastructure sectors. In December 2016, we invested in the construction of **Raven**, a midstream processing facility to be located in Baytown, Texas. The Raven facility is essential energy infrastructure within the North American natural gas liquids (NGL) value chain. The state-of-the-art facility will use proven and clean technology to process ethylene, a readily available derivative of natural gas, into Butene-1, which is used as a critical input in the manufacture of polyethylene and a variety of other products. Long-term, fee-based off-take contracts with no commodity price exposure have been signed with several major petrochemical companies for all of Raven's initial production capacity. The Raven site has the potential for expansion and discussions with potential customers are already underway regarding off-take for additional capacity.

In the renewable energy space, we invested in **Sapphire Wind Farm**, a 270MW development project located in the state of New South Wales, Australia, in December 2016. The project has already secured a 20-year Power Purchase Agreement for 100MW of its capacity with the AAA-rated Australian Capital Territory (ACT) Government and is scheduled for completion by July 2018. Once completed, Sapphire will generate enough energy to power 110'000 Australian households and offset over 600'000 tons of carbon emissions during every year of operation.

USD 10 billion in gross portfolio distributions in 2016

In 2016, we were able to realize a significant number of private markets assets on behalf of our clients, leading to a total of USD 10 billion in gross portfolio distributions. Some distributions to evergreen programs were re-invested for the benefit of the program's investment exposure. Other distributions enabled a number of mature closed-ended investment programs to pay out performance fees. Select examples of portfolio realizations across the asset classes are given below.

Private equity

In April 2016, we announced the successful Initial Public Offering (IPO) of **VAT**, the global market leader in the production of high-end vacuum valves, on the SIX Swiss Exchange. The company began trading on 14 April 2016 at CHF 45.00 per share, which valued the company at a total market capitalization of CHF 1'350 million. Following the IPO, VAT's share price increased to close at CHF 84.85 on 31 December 2016, resulting in a year-end gain of 89%. With a 29% stake in the company, we continue to be the largest shareholder of VAT and to actively support the company in its development through our participation in its Board of Directors.

In June 2016, we partially realized our investment in **MultiPlan**, the largest transaction-based healthcare cost management company in the US with clients in all 50 states, in a transaction valuing the company at USD 7.5 billion. During the investment period, MultiPlan's revenues and EBITDA increased significantly. This was supported by the success of its analytics offering, continued growth with new and existing customers, as well as its acquisition of Medical Audit & Review, a provider of medical necessity audit and review services.

Private real estate

In March 2016, our mezzanine investment in Heyford Park was fully paid down. **Heyford Park** is a 2.6 million square foot mixed-use residential and commercial property in Oxfordshire, UK. The business plan included refurbishing existing residential units and increasing the expected value through individual unit sales, raising occupancy and rents at the commercial units and selling 50% of the residential development land to fund the construction of new residential homes. The full exit generated an investment multiple of 1.6x and a gross IRR of 17%.

In September 2016, we realized our senior term loan financing of **Nob Hill Square**, a four-story neighborhood retail shopping center which is part of a private housing development, located in Kowloon West, Hong Kong. Over the holding period the business plan involved a rebranding of the shopping center, implementing a light-scale refurbishment program, optimizing the tenant mix and selling the ground floor shops via strata title, before disposing of the remainder of the mall en-bloc. With a make-whole provision in place, we were able to fully realize the investment for our low-risk income-orientated investors at a gross IRR of 6%.

Private debt

In May 2016, we successfully exited our 2007 mezzanine investment in **Plantasjen**, a Norwegian garden outlet chain with operations in Norway, Sweden, Finland and Ireland. The realization resulted in an investment multiple of 2.5x and a gross IRR of 12% for the program over the nine-year holding period.

In September 2016, our first lien term loan financing provided to **Amplify Snack Brands** was fully realized. Founded in 2010 and headquartered in Texas, US, Amplify is a snack food company focused on developing and marketing products that appeal to consumers' preference for "Better-For-You" snacks. The company's products use simple, major allergen-free and non-GMO (genetically modified organism) ingredients. A refinancing of the company's capital structure returned 1.3x the invested capital.

2016 at a glance – Partners Group’s business model and review of financial performance (continued)

Private infrastructure

In March 2016, we received proceeds from the sale of our secondary investment in a portfolio of **European brownfield infrastructure assets**. The transaction generated a multiple of 2.6x and a gross IRR of close to 27%.

In May 2016, we partially realized our equity investment in the **Carlsbad Desalination** plant. The plant is located in San Diego County, California, and delivers approximately 7% of the County’s water needs. We remain invested in Carlsbad and expect our investment to continue to generate meaningful distributions. For the entire investment, we project a target gross IRR of 14%.

2016 at a glance – Partners Group's business model and review of financial performance (continued)

Clients

Transformational shifts support private markets investment industry

The private markets investment industry is undergoing a transformation from a sub-segment of alternative investments to a high-performing integral component of a long-term investment portfolio. This shift offers significant opportunities for the beneficiaries of pension funds and life insurance policies and is likely to endure, as investors have realized that private markets can provide additional return potential as well as diversification benefits to their portfolios.

Our experience has shown that key drivers of private market returns and outperformance against public markets include factors such as better access to information on the part of private markets investment managers, improved governance as a result of private market ownership, an operational, long-term outlook focused on hands-on value creation, and greater ability to time exits.

Private markets outperformance over public markets expected to persist

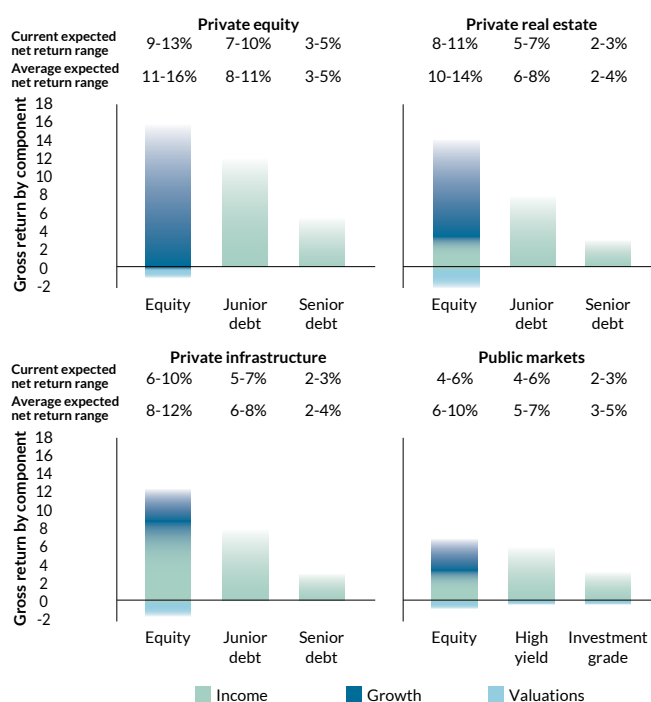
We have developed the **Partners Group Expected Return Framework**, which calculates expected asset class returns for private and public markets based on fundamental drivers (income, growth and valuation change) over a seven-year horizon. The Framework complements our qualitative relative value investment approach by adding a quantitative component, reflecting **broad industry returns**.

In the current market environment, modest top-line growth, lofty valuations, the prospect of rising rates in the US and uncertainty following the Brexit vote are likely to increase volatility in capital markets. Investors are trapped in an environment where capital appreciation themes in the public sphere may be running out of steam as asset prices are at peak levels, and the return from dividends and earnings growth is capped. At the same time, many fixed-rate debt instruments are offering low returns, putting pension funds and insurance companies in a precarious position in their aim to meet return requirements.

Valuations have also been pushed up in private markets, in certain market segments even to record highs. Nonetheless, headwinds stemming from high valuations and their impact on lower prospective future returns are less intense for private markets where returns can be enhanced through different sources of value creation. As such, the historical outperformance of private over public markets should persist as

our H1 2017 Expected Return Framework shows: as opposed to their public peers, private markets offer superior upside potential as active ownership, a long-term investment horizon and the ability to create value by implementing strategic or operational improvements strengthen the underlying portfolio assets and their respective returns from bottom-up growth. Our analysis shows that private market outperformance tends to be strongest in an environment like today's, characterized by at least modest growth but with elevated valuations, as in the 2003 to 2007 period.

Partners Group Expected Return Framework: expected broad industry returns p.a. by asset class



For illustrative purposes only. As of H1 2017. All of the above data is derived from Partners Group calculations and assumptions and should not be construed as representative of Partners Group investments. Partners Group utilizes historical market data and academic research to generate the above calculations, a full list of which can be provided on demand. Please note all value creation inputs are based solely on Partners Group's internal research. There is no assurance that expected returns will be achieved. Hypothetical or simulated performance results have certain limitations. Unlike the results shown in an actual performance record, these results do not represent actual trading. Past performance is not a reliable indicator of future performance.

2016 at a glance – Partners Group's business model and review of financial performance (continued)

All-encompassing private markets portfolio service solutions are in demand

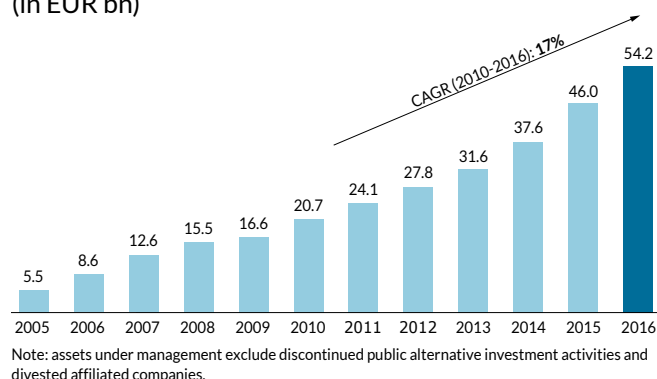
Today's private markets investors also seek portfolio services which reduce their administrative burden and help manage regulatory complexity, bringing their private markets portfolios closer to their public markets investments with regards to transparency, accessibility, performance measurement and administration. Because of this, there is a growing preference from investors globally to invest with those market leaders who have an institutionalized operational set-up and the ability to provide global solutions across private markets asset classes and capital structures.

Appetite for customized mandate offerings continues to account for a significant proportion of Partners Group's client demand, confirming the preference for non-standard solutions from larger institutional investors. To-date, around 40% of our clients have seen the advantages of a multi-asset class investment in private markets, investing and committing to more than one asset class with us. We expect this trend to continue with the growth of the firm's platform.

AuM grew to EUR 54 billion; up 18% year on year

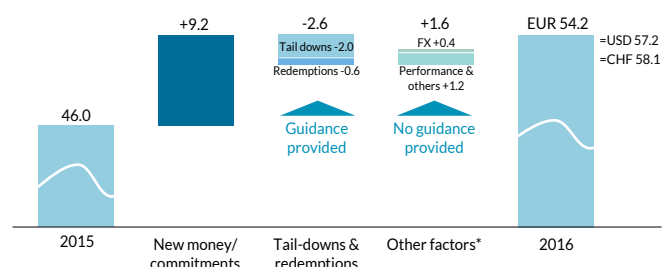
We received EUR 9.2 billion in new commitments from our global client base across all private markets asset classes in 2016, corresponding to the upper end of the communicated expected bandwidth of EUR 8-9 billion for the full year. Total assets under management (AuM) stood at EUR 54.2 billion as of 31 December 2016 (2015: EUR 46.0 billion), an increase of 18% year on year.

Total assets under management (in EUR bn)



The breakdown of total AuM as of 31 December 2016 is as follows: EUR 30 billion private equity, EUR 9 billion private real estate, EUR 9 billion private debt and EUR 7 billion private infrastructure.

Total assets under management (in EUR bn)



*Other factors consist of currency effects, performance, investment program changes and other effects.

Next to gross client demand of EUR 9.2 billion in 2016, there were EUR -2.0 billion (2015: EUR -1.8 billion) in tail-down effects from mature private markets investment programs and EUR -0.6 billion (2015: EUR -0.6 billion) in redemptions from liquid and semi-liquid vehicles, amounting to a total of EUR -2.6 billion for the full year. These effects were in line with our communicated expectations of EUR -2.5 to -3.5 billion. In addition, foreign exchange effects amounted to EUR +0.4 billion in 2016, following the further modest appreciation of the US Dollar against the Euro. Performance-related and other effects from certain investment vehicles contributed EUR +1.2 billion in 2016. As a result, AuM increased by EUR 8.2 billion for the full year.

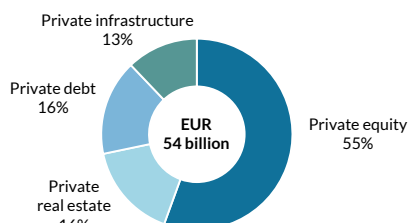
Client demand across all asset classes

Private equity was the largest contributor to assets raised in 2016, representing 47% of all new commitments. The demand was split across a wide range of products and mandates with the flagship global private equity direct program being the main contributor. The year-on-year growth rate of private equity AuM amounted to 14%. **Private real estate** demand represented 6% of all new commitments. Fundraising activity was modest as our most recent flagship real estate programs are still in the midst of their investment periods. We expect to open new flagship programs in the course of 2017. The year-on-year growth of private real estate AuM amounted to 6%. **Private debt** has seen a strong increase in demand, representing 28% of total new commitments. The demand was spread over several different programs and mandates, including, among others, the private markets credit strategy focusing on corporate senior debt and the multi-asset class strategy. The year-on-year growth of private debt AuM amounted to 38%. **Private infrastructure** represented 19% of overall client demand. Demand was spread over a number of different investment programs, with the largest contributors being the flagship global direct and global integrated investment programs. In 2016, private infrastructure AuM grew by 33%.

2016 at a glance – Partners Group's business model and review of financial performance (continued)

The following chart shows our total AuM by asset class as of 31 December 2016.

AuM by asset class

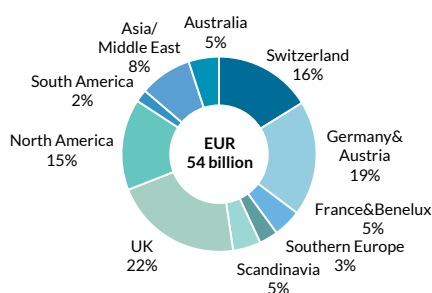


Note: as of 31 December 2016.

Client demand spread across Europe, North America, Asia-Pacific and emerging markets

We have an international client base of over 900 institutional investors around the world. In 2016, client demand was again well-diversified globally and split between new and existing institutional investors. **Continental Europe** contributed about half of the inflows in 2016, with Germany and Switzerland responsible for the largest proportion of assets raised. About 30% of the inflows came from **the UK and US** and about 20% was contributed by the remaining regions across the globe, with **Asia and Australia** standing out. The chart below shows our AuM by region as of 31 December 2016.

AuM by region



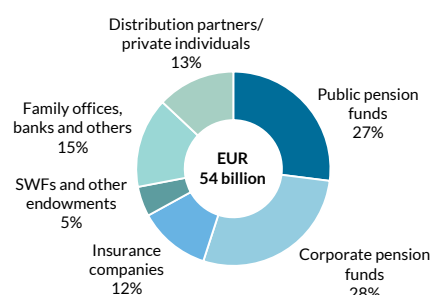
Note: as of 31 December 2016.

Client demand from pension funds still the major contributor

We continued to grow all of our private markets asset classes with different types of investors and entered into new collaborations with some of the largest and most sophisticated institutional investors globally. In 2016, **corporate and public pension funds** continued to be the key contributors to AuM growth, representing almost half of the total client demand during 2016. These investors typically seek to further enhance the risk/return profile of their portfolios by reducing traditional public markets exposure. **Insurance companies**

accounted for around 11% of overall assets raised in 2016 and became increasingly active in private markets investments, showing continued demand for our yield-generating private debt offerings. **Sovereign wealth funds and endowments** accounted for approximately 6% of total assets raised in 2016 and generally engage with us seeking highly tailored private markets solutions to complement their existing portfolios. With regards to **distribution partners/private individuals**, we saw increasing demand from this segment as these investors recognize the benefits of private markets and aim to mirror the allocations of institutional investors in their private portfolios. We remained an innovative thought leader in the industry and advanced our global offerings for private investors through the creation of new programs that cater to specific investment needs, also by actively engaging with select intermediaries. In 2016, 17% of total client demand was represented by this type of investor. The remaining 16% was split among family offices, banks and other investors. The chart below shows our total AuM by investor type as of 31 December 2016.

AuM by type



Note: as of 31 December 2016.

2016 at a glance – Partners Group's business model and review of financial performance (continued)

Financials

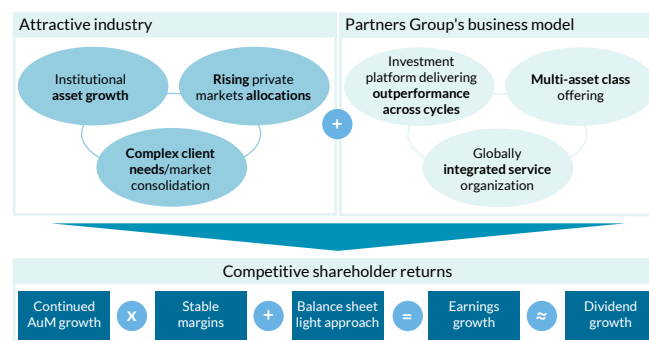
Record bottom line in 2016

Successful investment activities (USD 11.7 billion invested) and record client demand (EUR 9.2 billion raised) in 2016 enabled the firm to generate strong financials across the board. The firm's revenues and EBITDA increased by 57% and 63% year on year to CHF 973 million and CHF 601 million, respectively. These results were attributable to both strong performance fee development and a continued increase in revenues from management fees in 2016. The IFRS profit increased by 41% to CHF 558 million and marked a new record.

The Partners Group "formula"

The favorable, long-term underlying client trends and the outperformance of private markets against public markets represent structural industry dynamics which should further drive demand for comprehensive private markets offerings. These dynamics, combined with Partners Group's stable margins and a balance sheet-light business approach, translate into attractive financial returns for shareholders.

The Partners Group "formula"



Today, Partners Group has positioned itself as one of the few global private markets investment managers that can meet increasingly complex client needs. The firm's leading position, business model and financial returns have been recognized by the public market, which valued Partners Group at USD 13 billion in market capitalization as of the end of 2016, making it the second most valuable listed private markets investment manager globally at year-end.

Key financials

	2015	2016
AuM as of the end of the year (in EUR bn)	46.0	54.2
Average AuM (in EUR bn, daily weighted)	41.9	51.2
Revenue margin ^{1,2}	1.38%	1.74%
Recurring revenue margin ^{1,2,3}	1.12%	1.11%
Revenues (in CHF m) ²	619	973
Recurring revenues (in CHF m) ^{2,3}	503	622
EBITDA margin	59%	62%
EBITDA (in CHF m)	367	601
IFRS profit (in CHF m)	396	558

¹ Based on daily weighted average AuM. ² Revenues from management services, net, including other operating income and share of results of associates. ³ Recurring revenues are based on stable, long-term management fees and recur every year.

2016 at a glance – Partners Group's business model and review of financial performance (continued)

Largest listed private markets investment managers (market capitalization in USD billion)

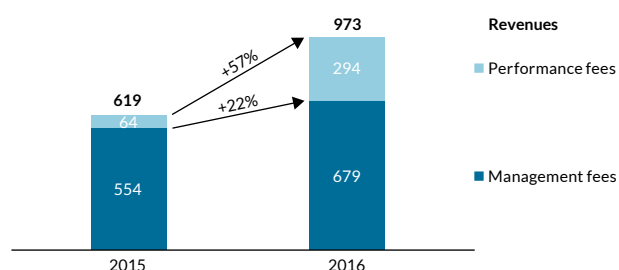
Rank	Firm	Market Cap
1	The Blackstone Group	32
2	Partners Group	13
3	KKR	12
4	Apollo Global Management	8
5	3i Group	8
6	Onex Corporation	7
7	Oaktree Capital Group	6
8	Carlyle Group	5
9	Ares Management	4
10	Eurazeo	4

Source: Bloomberg, 31 December 2016.

Revenue growth outpaces AuM growth due to higher performance fees

In 2016, revenues rose to CHF 973 million (2015: CHF 619 million) and increased by 57%. The total average AuM of EUR 51.2 billion increased by 22% (2015: EUR 41.9 billion). Management fees increased by 22%, in line with average AuM, amounting to CHF 679 million (2015: CHF 554 million). Performance fees grew to CHF 294 million in 2016 (2015: CHF 64 million). Most of Partners Group's client contracts entitle the firm to a performance fee, typically subject to pre-agreed return hurdles. The considerable increase in revenues from performance fees was a result of several mature portfolios passing their return hurdles during the period based on the performance achieved over the last six to nine years.

Revenues (in CHF m)



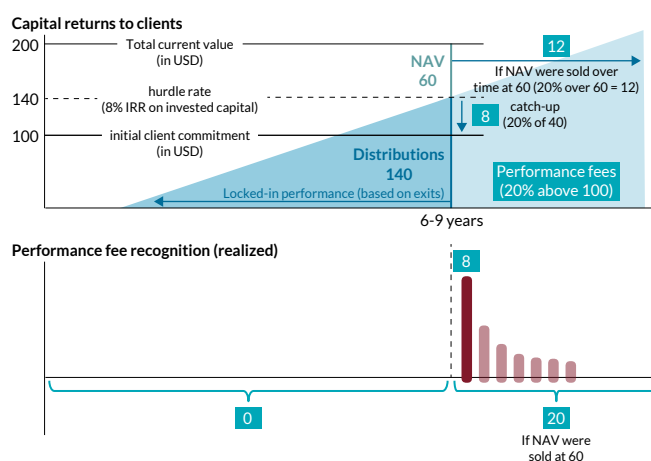
Note: revenues include revenues from management services, net, other income and share of results of associates. Management fees include recurring management fees, late management fees and other income.

Performance fee mechanism: only consistent, long-term returns for clients will generate performance fees

In private markets, performance fees are designed to remunerate investment managers for their long-term value creation results. They are a profit-sharing incentive for managers that outperform an agreed hurdle over the lifetime of an investment program. Performance fees are typically only charged once investments are realized and a pre-defined return hurdle has been exceeded. Because the value creation period lasts for several years, performance fees typically only start to be earned six to nine years after an investment program commences its investment activities, and only if these are successful.

The following illustrative example shows how distribution activities in client portfolios advance the maturity profile of an investment program and increase the likelihood that the required return hurdle is reached. Once the hurdle rate is reached, the investment manager catches up on past performance in excess of initial client commitment ("catch-up" period). The investment manager will share additional distributions stemming from selling the remaining portfolio (i.e. NAV) over time, according to a pre-defined performance-sharing mechanism with clients, who always remain the principal beneficiaries of the returns generated. The chart below shows the performance fee recognition model of a typical limited partnership program.

Performance fee recognition model



Note: performance fees of performance fee generating investment programs and mandates typically range between 10-20% over a hurdle of 6-8% IRR on invested capital, depending on the program and instruments. For illustrative purposes only.

2016 at a glance – Partners Group's business model and review of financial performance (continued)

Partners Group currently manages over 200 diverse investment programs and mandates at different stages of their life cycle. The firm's established approach of launching investment programs and mandates to enable clients to capitalize on specific private markets investment opportunities at different points in the market cycle means that the number of investment vehicles at each stage of the cycle is large and may even increase further over time. For this reason, Partners Group anticipates that performance fees will be earned more regularly from a diversified range of vehicles going forward, making them a "quasi-recurring" source of income assuming market conditions remain broadly supportive.

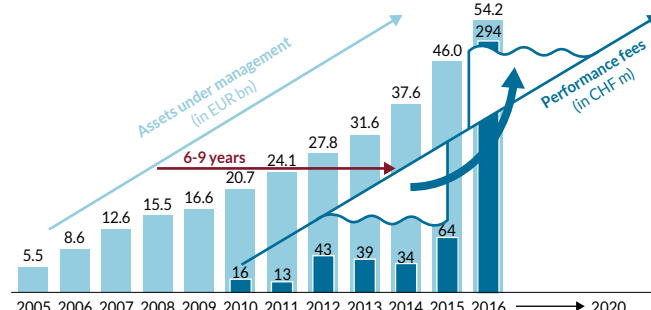
Performance fee outlook

A large number of investment programs and mandates from a wide range of vintages are expected to pay performance fees over the years to come. The anticipated concentration of performance fees within this timeframe is predominantly a result of the financial crisis in 2008 and 2009. Certain assets in programs launched before the financial crisis have experienced longer holding periods, which has resulted in a shift in the timing of anticipated performance fee payments from 2010-2015 to 2016 onwards. At the same time, other assets in programs launched after the financial crisis have had shorter holding periods, which has brought some of the performance fee payments forward.

In particular, the strong increase in performance fees generated in 2016 was mainly due to this shift in timing. Following a strong value creation period, a number of mature programs launched before and after the financial crisis passed their performance hurdles and paid performance fees.

Due to the visibility that Partners Group has on the life cycles of its programs, the firm expects to continue to generate significant performance fees from its underlying client portfolios over the years to come. The expected bandwidth for performance fees as a proportion of total revenues is around 20-30%, assuming that the market remains favorable to exits. In previous years, the performance fee share of revenues was around 0-10%.

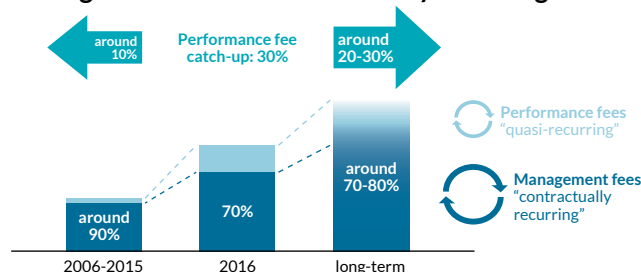
Performance fee payments shifted to 2016-2020



Stable management fees will continue to be the main source of revenues

Despite the increase in performance fees, management fees will continue to dominate Partners Group's revenue streams in the years to come. Given the anticipated growth in the firm's AuM, management fees are expected to make up around 70-80% of total revenues and will be recurring based on long-term client contracts, with a typical duration of 10-12 years. Performance fees are expected to grow in absolute terms alongside AuM, representing around 20-30% of total revenues in the longer term.

Management fees are contractually recurring



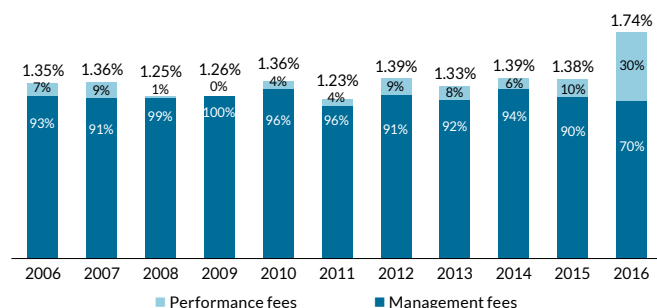
Note: assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from its underlying client portfolios due to the visibility that it has on the life cycles of its programs; management fees include recurring management fees, late management fees and other income.

Revenue margin increases as performance fees increase

The increase in performance fees in 2016 lifted the revenue margin to 1.74% for 2016 (2015: 1.38%). The dominant part of the firm's revenue base is still recurring and based on long-term contracts with its clients, providing highly visible cash flows. The firm's recurring management fee margin remained stable at 1.11% in 2016 (2015: 1.12%).

2016 at a glance – Partners Group's business model and review of financial performance (continued)

Stable revenue margin with focus on management fees

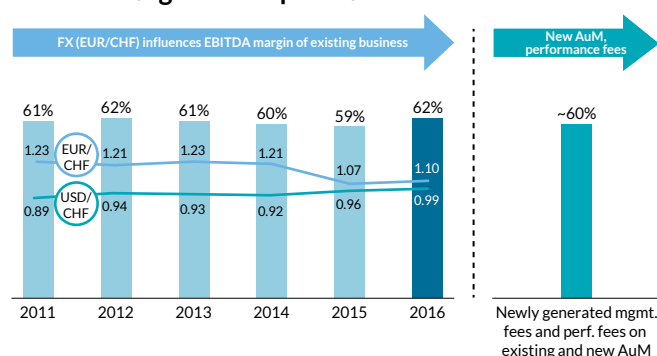


Note: management fees include recurring management fees, late management fees and other income.

EBITDA margin up; ~60% target EBITDA margin confirmed

Partners Group's EBITDA margin modestly increased to 62% in 2016 (2015: 59%) mainly due to foreign exchange effects. The firm continues to manage its EBITDA margin in a disciplined manner and maintains its ~60% target EBITDA margin for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees on existing and new AuM. In order to align long-term employee compensation with investment performance for clients and the firm's overall financial success, Partners Group allocates ~40% of performance fees earned from investments to the firm's professionals through its compensation programs. In 2016, the firm's EBITDA increased by 63% to CHF 601 million (2015: CHF 367 million).

EBITDA margin development



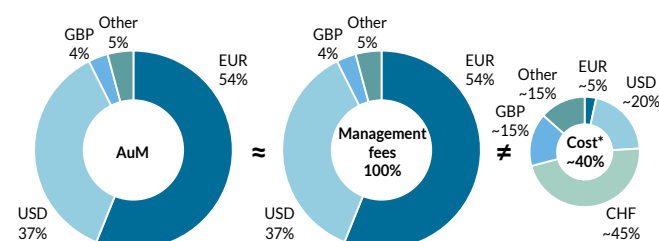
Continued diversification of AuM, revenues and cost base anticipated

Partners Group has further grown its business internationally and consequently diversified its sources of income. However, the firm's revenues still primarily derive from EUR- and USD-denominated investment programs and mandates. A modest strengthening of these currencies against the CHF in 2016 somewhat affected the absolute amount of revenues and costs, lifting the EBITDA margin slightly above its long-term target. In addition, the depreciation of the GBP against the CHF in 2016

had a supportive effect: while only 4% of the firm's revenues is GBP-denominated and therefore marginally affected revenues, around 15% of the firm's costs are GBP-denominated and resulted in slightly less costs reported in CHF.

Over the past years, Partners Group's team has grown at a higher rate outside Switzerland, in line with the increased set of investment opportunities around the world. This has diversified the firm's cost base further and reduced its cost base in CHF in relative terms. As the company continues to expand globally, the foreign exchange impact on the EBITDA margin deriving from this CHF-denominated cost base and EUR/USD-denominated revenues is expected to be reduced even further.

Currency exposure in 2016



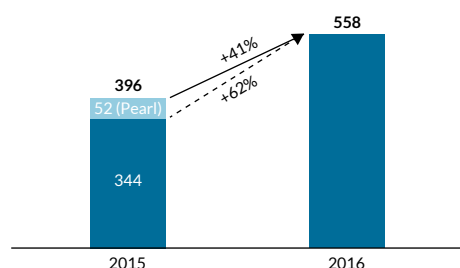
*Representing a 40% cost/income ratio on management and performance fees.

Note: all figures are based on estimates and currency denomination of underlying programs; revenues include revenues from management services, net, other operating income and share of results of associates.

Value creation in client portfolios drives financial result

Partners Group typically invests into its investment programs alongside its clients (around 1% of client commitments); the positive performance of these investments contributed to a financial result of CHF 38 million in 2016 (2015: CHF 29 million, adjusted for Pearl; in 2015, the investment program Pearl generated an additional CHF 52 million gain in the context of its conversion into a closed-ended structure). In summary, the firm's IFRS profit increased by 41% in 2016, standing at CHF 558 million (2015: CHF 396 million).

IFRS profit development (in CHF m)



2016 at a glance – Partners Group's business model and review of financial performance (continued)

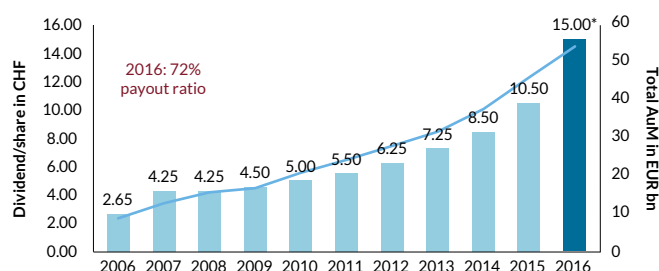
Net liquidity of CHF 895 million

Partners Group's balance sheet remains strong. After a dividend payment of CHF 277 million in May 2016, the firm holds a current net liquidity position of CHF 895 million. The net liquidity position comprises cash & cash equivalents and short-term working capital facilities for investment programs provided by the firm, net of borrowings. As of 31 December 2016, no borrowings were outstanding.

Proposed dividend increase to CHF 15.00 per share

Based on the solid development of the business in all asset classes and regions, the operating result and confidence in the sustainability of the firm's growth, Partners Group's Board of Directors proposes a dividend of CHF 15.00 per share (2016: CHF 10.50 per share) to its shareholders at the Annual General Meeting on 10 May 2017. This represents a dividend increase of 43%.

Dividend payments since IPO



*As per proposal to be submitted to the Annual General Meeting of shareholders on 10 May 2017.
Note: assets under management exclude discontinued public alternative investment activities and divested affiliated companies.

The total proposed dividend distribution of CHF 401 million corresponds to a 72% payout ratio of the IFRS profit and represents a dividend yield of 3.1% of the share price of CHF 477.25 as of 31 December 2016.

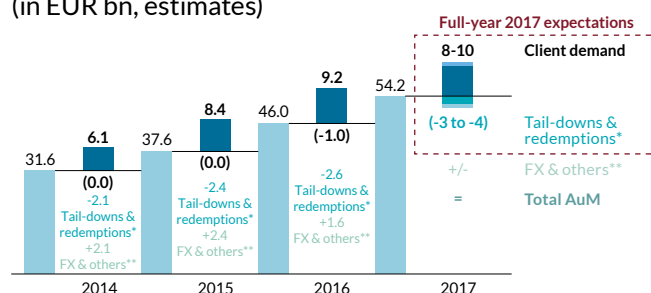
Outlook

Low global growth combined with continued elevated valuations and tail risks warrant a highly selective investment approach. Across private markets, we continue to look for assets that are characterized by valuation stability throughout adverse economic, financial, as well as geopolitical scenarios (including rising rates) and that have value creation potential to enhance end valuations. We also continue to focus on assets that benefit from transformational trends or that are protected by a natural barrier to competition, either as a result of their positioning or due to a proprietary advantage, such as, for example, a technological edge. Building on the success of the past two decades, we will continue to dedicate substantial resources to further growing our investment capacity, enabling Partners Group to act upon a steadily increasing opportunity set.

On the client side, we will continue to serve our existing mandate and program clients and drive innovation. We aim to advance our global offerings through the creation of new programs that cater to specific client investment needs. We expect client demand for such solutions to be spread across all asset classes, regions and types of investors. For the full year 2017, we project gross client demand of EUR 8-10 billion (2016: EUR 7-9 billion), together with EUR -3 to -4 billion (2016: EUR -2.5 to -3.5 billion) in tail-down effects from the more mature investment programs, including potential redemptions from liquid and semi-liquid programs.

We remain confident that the ongoing build-out of our investment platform and related initiatives in our investment, client and service teams will contribute to our ability to create value for our clients, consolidating Partners Group's position among the global leaders in private markets investment management.

AuM, client demand and other effects (in EUR bn, estimates)



*Tail-downs consist of maturing investment programs; redemptions stem from liquid and semi-liquid programs (~10% of AuM).

**Others consist of performance from select programs and other effects.

Note: negative effects consist of both tail-downs & redemptions as well as FX & others.



Karin Hallin Investment Solutions Americas | **Marc Weiss** Head Private Real Estate Secondaries and Primaries

The global economy continues to expand at a modest, yet resilient pace. However, a number of unexpected geopolitical events have further increased uncertainty as well as volatility in capital markets. In this environment, we focus on value creation strategies as the principal means of generating sustainable returns and look for assets characterized by valuation resilience.

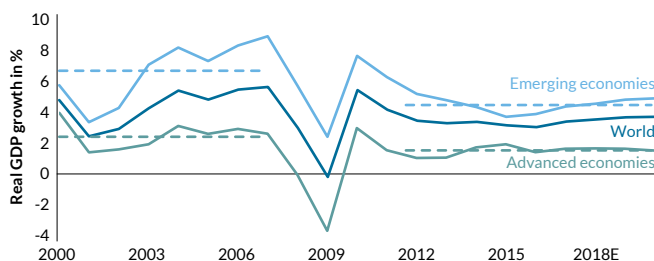
Market commentary

Value creation is the key to growth

The market environment continues to be characterized by low global growth, elevated valuations and meaningful tail risks. To navigate this, we select assets with solid valuation resilience in strong growth sectors, which offer the potential to create value.

Eight years after emergency monetary policies were set in motion, capital markets remain flush with liquidity and valuations are oscillating at lofty levels. External shocks (Brexit, the surprise US election outcome) have so far only temporarily pulled down asset prices as the low-rate, high-liquidity environment continues to trigger yield-seeking behavior. At the same time, the global economy continues to expand at a modest, yet solid pace. Select indicators give reason for mild optimism: emerging markets are bottoming out; potential infrastructure spending, tax cuts and deregulation in the US would be supportive of growth; and the impact of the Brexit vote on the UK has been less significant than expected thus far. We stick to our projection of continued low growth in the mid term.

Real GDP growth to stay suppressed in the mid term



Note: dashed lines represent period average growth rates.
Source: IMF World Economic Database, October 2016.

On the capital markets side, however, there may be more significant stints of volatility, with inflation and wage pressure picking up in the US, monetary policy in the Eurozone and Japan running out of steam, and persistent tail risks (e.g. uncertainty around the new administration's political agenda in the US, Brexit negotiations, German/French elections, China debt). The prospect of rising rates in the US, continued muted earnings growth, increasing corporate leverage in parts of the world and stretched asset prices may indicate valuations are approaching peak levels for the current cycle. In this environment, we place even more emphasis on a prudent investment approach and on selecting assets with strong valuation resilience that benefit from transformative trends, offer better growth opportunities and where we can create value through active management to strengthen end valuations.

One important consideration is the evolution of rates, which in the US have started turning up over the past few months. Higher rates would have an impact on the attractiveness and valuation of nearly all asset classes, albeit in different ways. Indeed, there can be many different rate outcomes – two of which we describe on the next page. Our base case outcome is closer to the 'positive' rate scenario, where rates rise at a more gradual pace on the back of higher inflation and modest GDP growth, which should be neutral to even slightly positive for most types of private market assets and strategies. We do, however, acknowledge the risk of the 'adverse' scenario where rates rise at a faster pace, potentially also with an increase in real rates and more disappointing GDP growth. Furthermore, rate developments will not be the sole driver of the investment landscape; coupled with the presence of other political and economic risks, such as those mentioned above, our investment approach incorporates many elements of the strategies that would somewhat shield our portfolio assets from the adverse impact of higher (real) rates. In particular, these include the strong focus on value creation and revenue stability. These characteristics are of particular interest in an unfavorable market environment and are highly valued and appreciated by future buyers. And while we believe in a more positive outcome, the adverse scenario also has its virtues and we stand ready to deploy capital at more attractive entry valuations in the right sectors and strategies should it materialize.

Continued focus on stability and value-add opportunities

Low global growth combined with continued elevated valuations and tail risks warrant a highly selective investment approach. Across private markets, we look for assets that are characterized by valuation stability throughout adverse economic and market scenarios (including rising rates) and that have value creation potential to enhance end valuations. Value-accretive strategies provide for bottom-up growth beyond industry averages. We also continue to focus on assets that have the potential to flourish under transformational trends or that are protected by a natural barrier to competition, either as a result of their positioning or due to a proprietary advantage, such as, for example, a technological edge.

Market commentary

Rising (US) interest rates and their impact on private markets

The impact of rising rates on private markets and their expected future returns differ by asset class, depending on the cause and pace of rate rises.

- Rising rates on the back of **gradually rising inflation expectations and materially improving GDP growth** tend to be less disruptive to capital markets and may have a neutral to slightly positive impact on expected returns. Higher top-line growth (or occupancy rates for real estate) benefits revenues, somewhat mitigating the impact of rising financing costs (it should also be noted that many portfolio assets are required to hedge at least part of their interest rate exposure). Investor sentiment should remain resilient, partially or fully offsetting the negative impact of higher discount rates (or cap rates for real estate/project yields for infrastructure) on valuations.

- A **faster increase in yields**, possibly also driven by reasons other than rising inflation (expectations), however, could have more adverse repercussions. An unexpectedly fast increase in rates may not be compensated for by improving top-line growth or may even slow GDP growth. The pace of deleveraging slows as margins tighten and default rates are likely to increase. Higher discount rates (or cap rates/project yields), exacerbated by more conservative underwriting assumptions and lower risk appetite in capital markets would weigh on valuations, while an IPO exit path would become less tangible.

Using private equity as an example and acknowledging the fact that there is a wide range of potential outcomes, the table below shows how we believe the asset class would be affected by rising rates under two potential scenarios (positive and adverse); with the actual outcome most likely closer to the positive outcome.

Private equity return drivers under different rate scenarios

Return drivers	'Positive' rate hike cycle: positive GDP growth, modestly rising inflation expectations, gradual rate increase	Risk scenario: 'adverse' rate hike cycle: fast rate hikes and/or rising real yields, unchanged/slowing GDP growth
Revenues	(+) revenue growth remains robust.	(-) decelerating revenue growth.
Cash flow	(+/-) rising financing costs but partially hedged and somewhat offset by higher revenues.	(-) lower growth and higher rates (partially hedged) weigh on cash flow growth.
Margin	(+) margin expansion due to economies of scale. (-) higher financing costs weigh on margins but are partially hedged. (-) slowing pace of leverage reduction. (+/-) impact on default rate.	(-) higher financing costs weigh on margins but are partially hedged. (-) slowing pace of leverage reduction. (-) rising default rates.
Multiple	(+) high liquidity and debt availability. (-) higher discount rates. (+) increased competition for deals fuelled by liquidity and potentially lower multiples.	(-) risk aversion. (-) higher rates reduce liquidity and debt availability. (-) higher discount rates. (+) lower valuations for add-ons/new investments.

Source: Partners Group, for illustrative purposes only.

Market commentary

Private equity – building on growth

In a generally sluggish growth environment, our investment appetite is centered around specific sub-sectors where growth is transformative and outpaces the mean. Within these pockets of growth, platform-building is our key investment strategy.

We continue to see notable differences in the pace of growth of different sub-sectors. While healthcare, education, consumer and business and financial services are the headline sectors that we are most focused on globally, our investment appetite is centered around specific sub-sectors or market niches where growth is transformative and outpaces the mean.

For example, within healthcare, the transformative mega-trends we focus most attention on are cost rationalization, the rise of consumerism in healthcare and the move towards cloud-based platforms. If we look only at cost rationalization, which we believe is one of the main healthcare trends in developed countries, there are three potential investment themes we can derive: pricing pressure, outsourced specialty care services and downstream rationalization. This in turn leads us to focus our deal-sourcing activities on accountable care organizations, ambulatory hospitals, laboratory and imaging service providers and med-tech category leaders, all of which we believe are positioned for outsized growth given their ability to enable other healthcare providers to cut costs associated with non-core activities.

Certain other growth trends, such as digitalization or outsourcing, are often sector-agnostic, providing a potential spur even to companies not remotely related to technology or business services. Exploitation of such trends can be a value creation lever for private equity investors. We focus our deal-sourcing within these sub-sectors or trend-based pockets of growth and seek out companies with two additional key characteristics: stable valuations and opportunities for value creation.

Valuation resilience normally applies to companies with recurring revenue streams, sticky customer contracts and highly visible cash flows, as these should hold their value in the case of volatility and/or contraction. However, another way of achieving more stable valuations through value creation is through the building out of 'platform' companies, using add-on acquisitions as one of the main pathways to growth and returns for our clients alongside operational improvements. A larger company is more likely to retain its valuation in terms of price multiple. Additionally, while the initial platform asset may be

relatively expensive in this high multiple environment, we can average down the multiple paid by purchasing smaller, add-on companies at lower multiples during the holding period as we build out the company.

Platform-building is one of Partners Group's key long-term investment strategies, but in the current environment has become the predominant investment approach for new investments. We are looking to identify 'anchor assets' with strong management teams in sub-sectors experiencing above-average growth, with potential for consolidation. Platform-building is also a critical value creation lever at existing investments for the reasons outlined above. Among the lead investments in Partners Group's current direct private equity portfolio, only two do not feature M&A as one of their active value creation projects.

Our key investment strategies

Build out platform companies

We acquire platform companies with a strong management team and infrastructure, and then purchase add-on companies to further grow the platform. This allows us to bring small or lower mid-market businesses into the platform and benefit from the lower acquisition multiples of these segments compared with upper mid-market and large-cap companies.

Capture category winners

We actively screen sub-segments of specific industries benefitting from trend-based tailwinds and focus on finding the 'category winners' that are leaders in the sub-segment in terms of market share or growth potential. Our Industry Value Creation team then works with the companies' management teams to further develop growth and increase profitability via effective value chain improvements.

Seek out defensive leaders

We search for niche leaders, not only with value creation potential, but also with strong defensive capabilities, high cash flow generation and the ability to quickly de-leverage in an uncertain economic context.

Market commentary

Private real estate – transformative trends redefine real estate

As core properties in prime locations maintain high valuations despite weakening investor appetite for the asset class, we focus on properties and locations that stand to benefit from the key transformative trends that are reshaping real estate markets.

While investor appetite for real estate remains strong, an uncertain political environment, modest growth, modest economic recovery, as well as the risk of rising interest rates have begun to suppress investors' seemingly unending appetite for the asset class. The current 'risk-off' sentiment has driven a narrower focus on prime properties and greater scrutiny of quality of income. This attitude was also reflected in global transaction volumes for the first three quarters of 2016, which were the lowest three-quarter levels of activity since 2012.¹

Core properties maintain high valuations and investors are still highly attracted to quality cash flows from prime properties in excellent locations. However, events such as the UK's Brexit referendum and the subsequent repricing of London's real estate market highlight the susceptibility prime real estate has to geopolitical and macro-economic events. To mitigate the impact of some of these risks, we strategically focus on properties and locations that stand to benefit from key transformative trends that are redefining real estate markets globally: new urbanization influencing property design that caters to 'live-work-play' lifestyles; demographic shifts influencing residential and office occupier requirements; and the rise of the global consumer and growth in e-commerce impacting changing retail and logistics demand.

From social and demographic change to technology, the forces reshaping real estate continue to grow and are becoming more interconnected. Successful real estate investments now more than ever before are dependent on cities, districts and buildings which embody the 'sharing economy,' allowing people to collaborate effectively and share resources – from infrastructure and technology to ideas.

From a relative value perspective, we believe the current environment offers a wide variety of investment opportunities, particularly in properties that are located within 'up-and-coming' secondary cities that are on the verge of becoming major metros – areas where walkability is often a priority over drivability, where in-fill developments are regularly occurring with not one, but multiple tenant uses in mind. Areas once not

considered prime CBD locations are being transformed by infrastructure into key transit-oriented locations and formerly blighted urban pockets are offering opportunity for new development.

In the US, these broader trends have shifted our investment focus toward smaller economies that continue to show strengthening above that of the broader US economy, as job growth and population growth spread outward to new areas. In Europe and Asia, we have focused less on expectations of growth and have instead targeted markets which offer unique structural imbalances, high degrees of liquidity or potential opportunities to exploit unique seller situations that are a benefit to buyers of quality properties.

Our key investment strategies

Buy below replacement cost

We target assets with low valuations located in rebounding markets that can be repositioned and then leased-up by under-cutting market rents. These opportunities typically arise as a result of ineffective management, inadequate leasing or physical deficiencies – often these issues can be addressed in our value creation approach.

Buy, fix, and sell

This approach typically targets older buildings in great locations that are in need of owner-oriented asset management initiatives including capital expenditure, repositioning, lease-up and the implementation of building efficiencies to capture rental and pricing differentials.

Develop core

In markets with strong long-term fundamentals and trends that support additional absorption, we will selectively develop properties through ground-up construction. We focus on developments that will meet end-user demand and appeal to core investors.

¹ Real Capital Analytics, "Global Capital Trends Q3'16"; November 2016.

Market commentary

Private debt – opportunities remain outside traditional debt markets

With margin compression in the senior loan syndicated market in both the US and Europe, we believe there are more attractive opportunities to be captured outside of traditional syndicated loan markets.

In the US, sponsors continue to rely on privately placed second lien debt in lieu of traditional syndicated debt financing as a result of the bank pullback from underwriting second lien financing. Privately placed second lien continues to offer strategic advantages to sponsors in the form of firm pricing that is not subject to market flex risk, a known lender group, and additional capacity for future financings. Certain banks are looking to re-enter the second lien market, but have had minimal success to-date and have not been able to be as flexible as private debt providers. Alternative (i.e. non-bank) sources of capital in the second lien market are expected to continue to restrain traditionally underwritten second lien debt for the foreseeable future as sponsors appreciate the flexibility and certainty of privately placed solutions.

First lien margins have compressed, but attractive yields remain to be found in certain deals, especially club-style first lien executions, lower middle market investments, and companies with niche business models which the capital markets are not so familiar with. From an industry perspective, similar to private equity, we favor resilient niche businesses within the healthcare, business and financial services sectors and sub-segments of the information technology sector.

In Europe, we continue to support the financing needs of mid-market companies with platform growth potential. Increasingly, sponsors are seeking to supplement a traditional bank club with private debt providers that offer scalable capital in support of future growth activities. Tighter limits on counterparty exposure restrict the ability of banks to provide incremental capital, allowing private debt to fill the gap. Private debt providers also offer creative alternative solutions to a bank club deal such as unitranche financing, allowing sponsors the flexibility to stretch leverage for selected companies with strong credit characteristics.

Mid-cap companies are constrained in accessing the syndicated loan and high-yield markets due to size limitations and rely instead on privately placed financings with banks and private debt providers. Investments in the mid-market space are therefore less exposed to the decreasing yields and re-pricing activity that have more recently impacted the returns

of syndicated loans in the larger cap space. Furthermore, documentation protections are also more stringent for mid-cap transactions. Consequently, we continue to see good relative value in this space. Industry-wise, we focus on opportunities in the healthcare and financial and business services sectors, as well as in sub-segments of the information technology sector.

Abundant liquidity remains in Asia, driven by regional and domestic banks that provide senior debt for local deals. These regional banks (such as the Taiwanese and Japanese banks) are moving beyond their traditional home markets and are stepping up to become active arrangers for deals throughout Asia. Senior debt opportunities catering to non-bank investors such as institutional investors and private debt funds have emerged, but form a relatively small proportion of the market, currently limited to Australasia. Instead, Partners Group has identified relative value in the subordinated parts of the capital structure, where banks are not typically natural long-term holders.

Our key investment strategies

We provide financing solutions that plug gaps in traditional debt market coverage and are often more attractive and flexible than those offered by the broader capital or syndicated loan markets, providing excess yields to our investors. We focus on three key strategies:

Offer creative structures

We offer flexible and tailor-made capital structures. This is a key differentiator, especially in the US where banks are restricted in terms of their ability to provide leverage.

Focus on niche markets

We focus on resilient companies active in niche markets, protected by high barriers to entry and able to offer premium products or services crucial for their clients.

Support buy-and-build strategies

We support successful sponsors and management teams in their buy-and-build strategies by providing add-on acquisition financing in a timely manner.

Market commentary

Private infrastructure – looking for trend-based investment opportunities

The private infrastructure market continues to be characterized by high valuations for established assets. We maintain our belief that the most attractive investment opportunities are found outside of the mainstream, in sectors undergoing transformative shifts in infrastructure use or demand.

Inflated by unconventional monetary policy and strong investor appetite, asset prices for established infrastructure have risen above pre-crisis levels and are set to remain elevated during H1 2017. In this environment, we have identified three global trends which we expect will continue to generate attractive infrastructure investment opportunities for us in the coming quarters: the continued global increase of renewable energy targets; the growing demand for communication infrastructure; and corporate divestitures driven by the correction in power and commodity prices. In line with these trends, we favor the renewable energy, communications, and power and energy infrastructure sectors globally. We also observe more secondary sales from mature funds seeking portfolio liquidity solutions, and we see this as an opportunity to selectively acquire assets in the core infrastructure segment if risk/return parameters for these appear sufficiently favorable.

In North America, the majority of our deal flow continues to be in the power and energy infrastructure sectors. Power opportunities are abundant as older thermal and nuclear plants continue to be replaced by both renewable and gas-fired capacity – a development driven by low natural gas prices and tougher environmental restrictions, coupled with an improvement in technology efficiencies and a supportive regulatory environment for renewables in the US. The attractiveness of individual opportunities is very situation-dependent, especially for new-build gas-fired projects where long-term off-take contracts are in short supply. Opportunities in the energy-related infrastructure sector are driven by shale oil and gas production. According to the Interstate Natural Gas Association of America (INGAA), up to USD 330 billion of natural gas infrastructure capital expenditure is needed over the next 20 years in North America. New-build midstream infrastructure will be necessary to transport, process, store and deliver cheap natural gas and its derivative products to end markets, including assets needed to process, transport, and store natural gas liquids (NGLs).

In Europe, the global trends mentioned above – rising renewables targets, growing communications infrastructure needs and corporate divestitures in the power sector – are also generating attractive investment opportunities. For

instance, one area where we see divestiture opportunities is the energy infrastructure sector, particularly in gas transmission, processing and storage. The attractiveness of the sector is driven primarily by low oil and gas prices, which are leading to the disposal programs of European oil and gas majors, who are under pressure to divest big portions of their non-core assets to free up capital for reinvestment in new projects. We prefer operating assets that offer scope for operational value creation, for example through a platform strategy.

In the Asia-Pacific region, we are focusing on a select number of key markets including Taiwan and Australia. These countries have stable regulatory frameworks and government policies that promote the attractiveness of investment in certain sectors, for example, the renewable energy sector. Generally, we prefer to build core in the Asia-Pacific region over acquiring existing core assets, which are rare and highly sought after, with high valuations attributed to them by Asian strategic investors. On the other hand, we are aiming to capitalize on the current market dynamic by selectively realizing some of our portfolio assets (which we have developed into core assets) in both the renewable and PPP sectors.

Our key investment strategies

Focus on value enhancement potential

We focus on investment opportunities that offer us the potential to enhance operational value through growth and efficiency improvements. A key source of these opportunities is the ongoing trend for corporate owners of infrastructure to sell assets as part of a restructuring.

Search for transformative growth

We seek out opportunities where strong long-term fundamentals in a particular market support the demand for building a select type of infrastructure, for example, due to evolving infrastructure needs or changing market fundamentals.

Build out market-leading infrastructure platforms

We look for investments that offer us the opportunity to build scale, for example, through investing in fragmented markets that have the potential for consolidation and platform-building.



Partners Group manages assets with a long-term perspective to create lasting positive impact. The firm aspires to be a role model in corporate responsibility and continuously raises environmental, social and governance standards.

ESG and Corporate Responsibility Report

Chairman's introduction

Partners Group is committed to high ethical standards. This means acting as a responsible investor in managing our assets on behalf of our clients. It also applies to leading our firm in a principled manner to secure its long-term success. And it calls for positive contributions to society beyond our immediate business interests.



A private markets investment manager typically has a strong influence over how assets are developed and managed. This is particularly true for directly held investments. In applying this influence in a responsible way, Partners Group has chosen to pursue a systematic approach to integrating environmental, social and governance (ESG) factors throughout the entire investment cycle, in order to both enhance returns and manage risks. To underline this commitment, we have made it a principle of our Charter that we create lasting positive impact by managing assets with a long-term perspective and continuously raising our ESG standards.

Since our inception, we have been a pioneer of Responsible Investment in private markets. In 2006, we implemented the UN Global Compact guidelines in our investment processes and in 2008, we were one of the first private markets investment managers to sign the United Nations Principles for Responsible Investment (UN PRI). Today, we apply our proprietary Responsible Investment methodology to each investment opportunity from sourcing and due diligence through to value creation and exit.

In 2016, in line with our Charter commitment, we further enhanced our approach to Responsible Investment. Our specialists developed a proprietary ESG due diligence tool, which draws on the internationally recognized SASB standards. In addition, we defined ESG focus areas for 2017 for each of our industry verticals and asset classes. Our industry vertical and asset management heads are directly responsible for ensuring these focus areas are addressed throughout the year, enabling a more integrated and effective approach to ESG management.

Aside from integrating ESG factors into our investment process, we aspire to be a role model in terms of corporate responsibility. Our culture and Charter values, our Code of Conduct and ways

to train our people so that we can all live up to this aspiration are regular topics discussed at Board level. We are committed to meeting high standards of corporate governance and observing responsible business practices to ensure the sustained success of our business. To support this commitment, this year we raised the bar in preparing this report by adopting the GRI Sustainability Reporting Guidelines, a leading international reporting standard. We believe this will ensure that all of our stakeholders have access to reliable, relevant and standardized information going forward.

Our commitments to creating lasting positive impact and being a role model in corporate responsibility extend beyond our immediate business interests. Our colleagues dedicate time, expertise and financial resources to PG Impact (Verein), our employee association that invests in social enterprises and donates money to organizations that deliver measurable social and environmental impact. All employee contributions are matched by Partners Group. In addition, Partners Group provides services and expertise to PG Impact Investments AG, an independent firm that invests on behalf of private and institutional clients in opportunities where positive social and environmental impact goes hand-in-hand with market-rate returns.

We hope you find this report relevant and insightful, and we look forward to having meaningful conversations about how we can further strengthen our effectiveness in being a responsible investment firm.

Dr. Peter Wuffli, Chairman of the Board of Directors

ESG and Corporate Responsibility Report

About this report

Partners Group's ESG and Corporate Responsibility Report covers the calendar year 2016 and includes three focus topics. The first section ('We are responsible investors') describes how we invest responsibly by integrating **environmental, social and governance (ESG)** factors throughout our investment processes. The second section ('We are a responsible firm') describes how we aim to ensure that Partners Group itself is managed responsibly, and the third section ('We are responsible citizens') outlines how we use our investment expertise to positively contribute to society beyond our core investments.

This year, for the first time, we have prepared our annual ESG and Corporate Responsibility Report in accordance with the **Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines**.¹ All facts and figures presented in the report are as of 31 December 2016 and cover our investment activities on behalf of our clients globally, unless otherwise stated. The GRI Content Index² can be found at the end of this report on pages 54-55.

Defining report content and assessing materiality

In developing this report, we employed the GRI principles for defining report content. We took into account 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 Responsible Investment 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 stakeholder group. Through these channels, we identified the sustainability topics each group considers to be most relevant in their relationship with Partners Group. Based on this analysis, we determined the material aspects that should be covered in this report, taking into account Partners Group's span of influence over each issue. The full list of identified material aspects can be found in our GRI Content Index.

Our approach to stakeholder engagement

The chart below shows the direct and extended stakeholders identified in our stakeholder mapping process, as well as the engagement channels established with direct stakeholders.

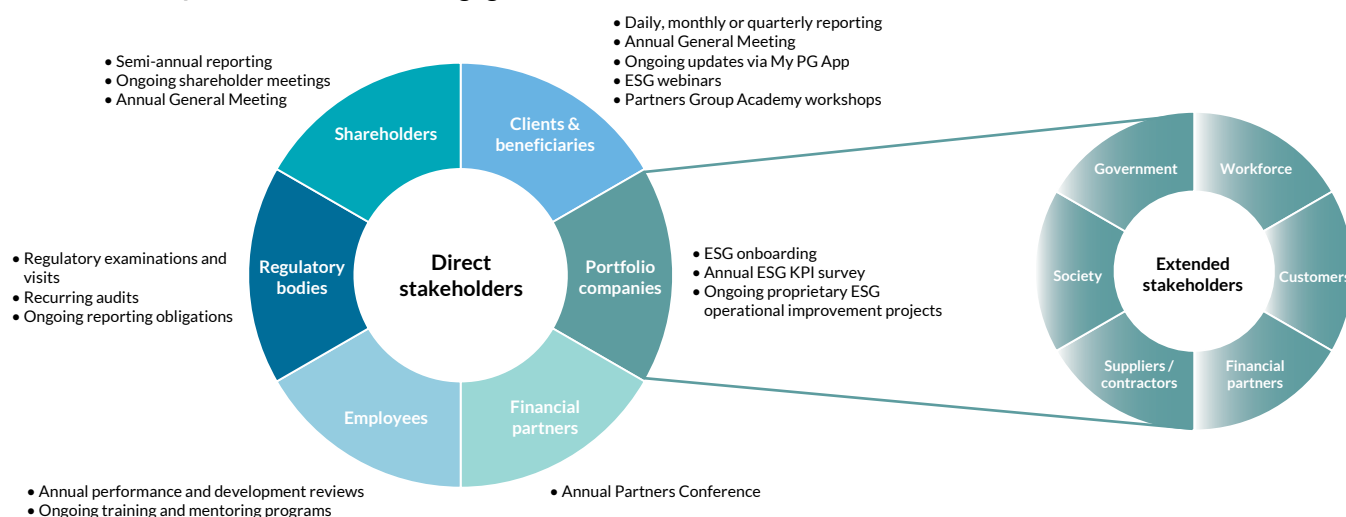
For all direct stakeholders, as well as for Partners Group itself, one of the most material issues is ensuring ESG factors are systematically integrated throughout the investment cycle for all private markets asset classes. That is why this report focuses in particular on our approach to Responsible Investment.

GRI Sustainability Reporting Guidelines

The GRI's Sustainability Reporting Guidelines are the most widely used comprehensive sustainability reporting standards in the world. We believe that by integrating the GRI Guidelines into our ESG and Corporate Responsibility Report we can enhance the value of our sustainability reporting and ensure that all stakeholders have access to reliable, relevant and standardized information.

¹ In preparing this report, we have chosen the GRI G4 'In accordance' - Core option.
² The GRI Content Index indicates where information relating to the GRI G4 Sustainability Guidelines is located in this report or in other Partners Group materials.

Partners Group's stakeholders and engagement channels



Note: bullet points indicate main engagement channels identified for each direct stakeholder group.

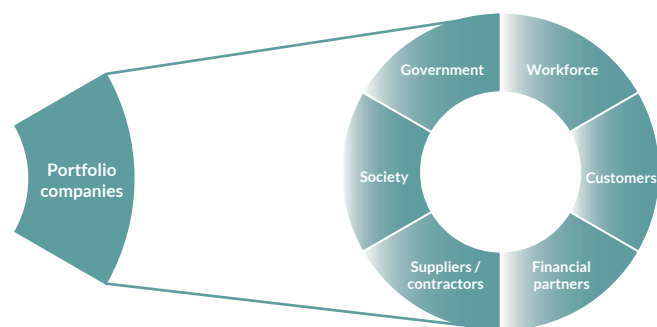
ESG and Corporate Responsibility Report

We are responsible investors

Partners Group is a leader in Responsible Investment integration. Since becoming one of the first private markets investment firms to join the United Nations Principles for Responsible Investment (UN PRI) in 2008, we have continuously enhanced the integration of ESG factors in our investment process.

This section will address how we live up to our responsibilities to our extended stakeholders through the investments we make.

Partners Group's extended stakeholders



Partners Group Charter

Partners Group has formalized its commitment to Responsible Investment as part of the firm's purpose in its Charter. The Charter defines the essence of the firm. It reflects who we are and what we do, every day:

We create lasting positive impact

We manage assets with a long-term perspective to the benefit of individuals and societies worldwide. We aspire to be a role model in corporate responsibility and we continuously raise environmental, social and governance standards.

Extract from Partners Group's Charter

ESG highlights of Partners Group's direct investment portfolio*

Corporate assets

272'940

Number of people employed by our 60 largest corporate assets in private equity and private debt.

10'062

Net new jobs created by our 25 largest private equity investments, equal to 9.2% of the employee base.

Real assets

1'100'000

Metric tons of carbon dioxide emissions avoided by our direct low-carbon power assets.

100%

Percentage of Partners Group-controlled new real estate developments that have achieved a sustainability certification or energy efficiency standard.

* Figures as reported in Partners Group's Annual ESG KPI Survey, Q3 2016.

ESG and Corporate Responsibility Report

Highlights of our approach to Responsible Investment and key accomplishments in 2016

Active ownership	<p>We commit to materially improving the ESG performance of every one of our direct lead investments.</p> <p>This ambitious goal has resulted in having over 100 ESG value creation projects running throughout our private equity, private real estate and private infrastructure portfolios in 2016, with roughly half focused on environmental factors, a third on social factors and the remainder on governance topics. Selected examples of these projects are presented on pages 37-45.</p>
Industry-leading tools	<p>We stay ahead of best practice through innovation.</p> <p>In 2016, we developed and launched a proprietary ESG due diligence tool, informed by the Sustainability Accounting Standards Board (SASB) standards, that enables our investment teams to mitigate risks and identify value creation opportunities from the most material ESG factors for a given investment.</p>
Integration	<p>We embed ESG-specific goals into the performance goals of our investment professionals.</p> <p>Investment teams are responsible for ensuring our ESG processes are implemented and our Industry Value Creation and Asset Management teams are accountable for the ESG focus topics in their respective areas of expertise.</p>
Leadership	<p>We have taken leadership roles in the UN PRI's private equity and infrastructure steering committees since joining the organization.</p> <p>This has enabled us to stay ahead of industry best practice and raise ESG standards among peers. In 2016, we earned an A+ rating from the UN PRI for the strategy and governance of our ESG program for a second consecutive year.</p>

A timeline of our commitments to Responsible Investment leadership

2006	2008	2013	2015	2017
<p>UN Global Compact We implement the UN Global Compact guidelines into our investment processes for all assets.</p> <p>PG Impact (Verein) We establish PG Impact (Verein), our employee association which aims to support social enterprises through impact investments.</p>	<p>UN PRI We are one of the first private markets investment managers to sign the United Nations Principles for Responsible Investment (UN PRI).</p>	<p>UN PRI We become chair of the UN PRI Private Equity Steering Committee, serving a two-year term.</p>	<p>Partners Group Impact Investments Partners Group Impact Investments AG, an independent, non-profit investment firm which specializes in investment solutions that create a positive social and/or environmental impact, is founded.</p>	<p>UN PRI We become a member of the newly formed UN PRI Infrastructure Advisory Counsel, with a two-year term.</p>

ESG and Corporate Responsibility Report

Our Policy and Methodology

Partners Group's Responsible Investment Policy highlights two objectives of integrating ESG factors into the investment process:

- **Investment-related:** mitigate investment risk and, where possible, enhance investment returns.
- **Ethics-related:** ensure that the assets in which we invest on behalf of our clients respect and, where possible, benefit society and the environment.

To achieve these objectives, we take different approaches depending on the investment type.

Directs: we invest in attractive companies, real estate and infrastructure assets with high development potential.

Secondaries: we acquire companies or portfolios of assets with significant value creation potential on the secondary market.

Primaries: we complement our direct and secondary investments with commitments to select managers in the private markets industry.

In our **direct** investments, where we have the greatest amount of control and influence, we have developed specific tools and processes to ensure thorough integration of ESG factors.

For our **secondary** investments, we evaluate the underlying assets to identify and mitigate risks from ESG factors. We

also monitor the underlying holdings on an ongoing basis to ensure any potential ESG issues are quickly identified and communicated to clients.

For our **primary** investments, we undertake a 'Primary ESG Assessment' based on the UN PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire, to assess the strength of a manager's approach to ESG integration. We encourage our partners to reflect Responsible Investment standards in fund documentation.

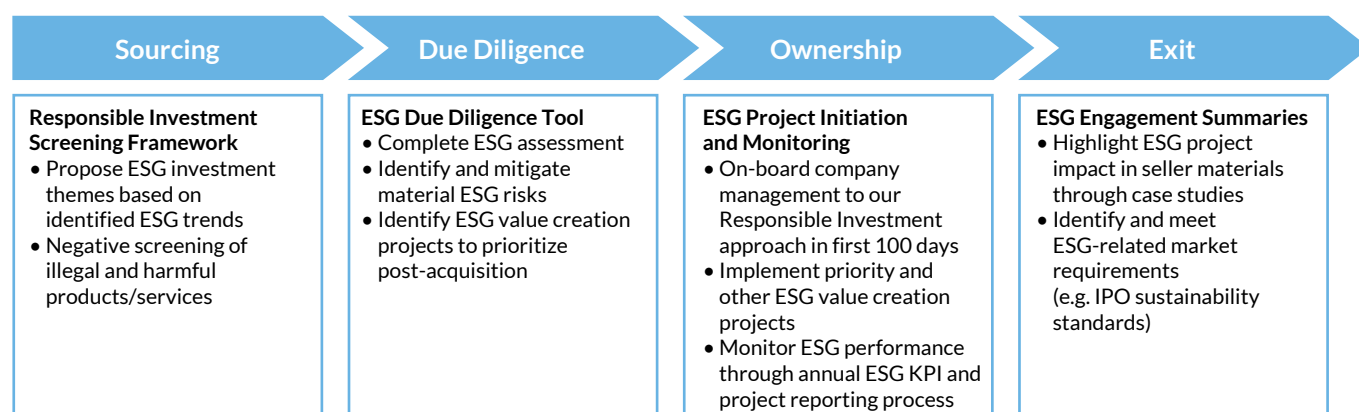
ESG Due Diligence Tool

Partners Group's proprietary ESG due diligence tool distills the wide range of potential ESG topics into those most likely to be material for a given industry and geography. Investment teams are responsible for evaluating risks from these factors, both for the investment and the firm, and for identifying opportunities to add value through improved ESG management.

Annual ESG KPI Survey

Once a year, Partners Group surveys its 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 in the coming year.

Partners Group's ESG integration throughout the lifecycle of a direct lead investment



ESG and Corporate Responsibility Report

Our Screening Framework

Our Responsible Investment Screening Framework provides investment professionals with a clear basis for assessing the potential ESG risk of a given investment. The framework applies to all investment decisions and addresses both the products

or services an asset provides and the overall integrity of its business practices. It provides a positive screen for investments that deliver clear benefits to society or the environment and room to engage with assets whose ESG management could be improved under our active ownership model.

Partners Group's Responsible Investment Screening Framework

	Products/services	Practices	Guidance
Beneficial: clear, positive impact on society or environment	SEEK	ENCOURAGE	SEEK investments that contribute to social welfare.
Neutral/potentially harmful: possible adverse impact on society or environment	WEIGH	WEIGH	ENCOURAGE investments in companies with market-leading sustainability practices.
Harmful: significant, clear negative impact on society or environment	EXCLUDE	EXCLUDE/ENGAGE	WEIGH whether we should invest, based on objective research and external standards.
Illegal/banned under international protocols	EXCLUDE	EXCLUDE/ENGAGE	EXCLUDE investments that pose ESG risks unless we can improve their practices through ENGAGEMENT during ownership.
			EXCLUDE investments whose products or services are illegal, harm societal welfare or harm the environment.

For illustrative purposes only.



Accounting for a Sustainable Future

Partners Group ESG integration case study

In 2016, Partners Group was asked by the Sustainability Accounting Standards Board (SASB) to author a case study on innovation in ESG integration, which was published in the first edition of SASB's ESG Integration Insights. The case study describes how Partners Group incorporated the SASB standards on ESG materiality by industry, which are based on a multi-year research effort, into its own ESG analysis, both during due diligence and ownership.

Due diligence

To facilitate and further institutionalize the process of establishing materiality across sectors and industries, Partners Group developed a proprietary ESG due diligence tool, which draws on the SASB standards. The integration of the standards into the tool has added significant value to the initial ESG assessment as these encompass all sectors of the economy and provide comprehensive coverage of the

diversity of investment targets in Partners Group's multi-asset class pipeline.

Ownership

Once an investment has been made on behalf of Partners Group's clients, Partners Group conducts an ESG onboarding with each company or asset's management in the first 100 days of ownership to align on priority areas for ESG engagement during the ownership period. Integrating the SASB standards into the ESG analysis has added value to the process by clearly demonstrating the link between the target areas of engagement and the potential for material impact on the business.

In the coming year, Partners Group will continue to work with SASB to advance the practice of incorporating material ESG factors into investment decision-making.

A full version of the case study can be downloaded here: <https://goo.gl/FxsGaZ>

SASB is a US-based non-profit organization, whose mission is to develop and disseminate sustainability accounting standards that help companies disclose material, decision-useful information to investors. www.sasb.org



Foncia

Foncia is France's market-leading provider of residential property management services, with more than 8'000 employees and over 500 branches. In 2016, the company introduced a digital platform to facilitate communication with clients aimed at reducing paper consumption by 35%.

ESG and Corporate Responsibility Report

ESG integration by industry vertical and asset class

Investment managers have a number of strategic options of where to place the Responsible Investment function within their firms. While many managers place Responsible Investment within a Legal, Compliance, Investor Relations, or Public Affairs department, Partners Group chose to embed Responsible Investment within the Industry Value Creation (IVC) and Asset Management teams. As these teams work hands-on with our portfolio companies and assets and are directly responsible for operational improvements, they offer the most effective means for ensuring ESG topics are addressed throughout the investment process.

To adequately integrate ESG considerations into their respective areas of expertise, the IVC and Asset Management heads must have a firm command of:

- The most material ESG factors to consider during due diligence
- The key stakeholder groups most affected by the company's or asset's operations
- Practical ways to improve the ESG performance of companies or assets

At Partners Group, the leaders of each industry vertical and Asset Management function are responsible for ESG integration in their respective portfolios. Our dedicated Responsible Investment team coordinates the process of ESG integration across all asset classes, provides advice on ESG-sensitive topics to our Specialist and Global Investment Committees, and develops and shares ESG best practice across investments.

IVC industry vertical and Asset Management heads

Healthcare

Dr. Remy Hauser, 19 years of industry experience.

"In 2017 our portfolio companies will explore ways to maintain their leadership in **product quality and safety**."

Industrials

Fredrik Henzler, 21 years of industry experience.

"As owners we are responsible for continuously improving **employee safety, environmental performance and sustainable supply chains**."

Financial & Business Services

Lane McDonald, 16 years of industry experience.

"We will define best practice in terms of **employee engagement and retention**."

Consumer

Tim Pihl Johannessen, 24 years of industry experience.

"Each of our consumer companies will set measurable goals to improve the **environmental and social performance of their supply chains**."

Media, Telecommunications & IT

Christian Unger, 21 years of industry experience.

"We will explore opportunities for **reduced energy consumption**, focused on technology improvements for data centers."

Real Estate

Pamela Alsterlind, 29 years of industry experience.

"Now that we have achieved great **energy savings across the portfolio**, I would like to find more opportunities to integrate solar power."

Infrastructure

Brandon Prater, 27 years of industry experience.

"Renewable energy is a key investment theme within the Infrastructure team, where we are focusing on **innovative, low-emission technologies**."

*Axia NetMedia*

Axia NetMedia designs, installs and operates 'open access' fiber-based internet and data networks across North America and France. The company specializes in bringing fast broadband to rural and semi-rural areas, allowing rural communities to access the 21st century communication infrastructure available in urban centers.

ESG and Corporate Responsibility Report

Healthcare

Healthcare comprises a broad range of sub-industries, including medical equipment and supplies, managed care, healthcare distributors, healthcare delivery and pharmaceuticals. Material ESG topics range from the management of resources like energy and hazardous waste, to the protection of a patient's data. The key stakeholder groups in the healthcare sector tend to be the recipients of care and the government entities charged with ensuring a healthcare system that promotes good public health. Typical ESG projects our team works on within the sector can include efforts to improve quality of care, enhance information security, and reduce environmental footprint.

ESG topics likely to be material

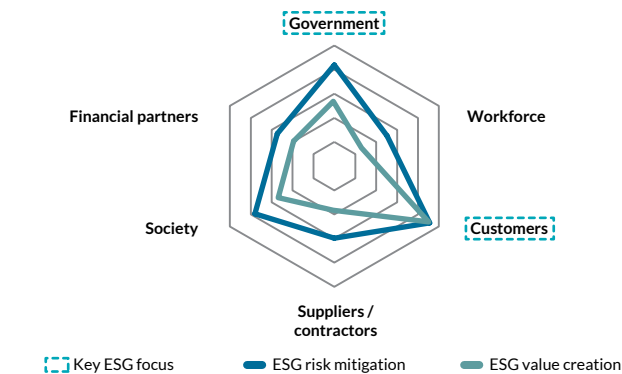
- Energy management
- Waste and hazardous materials management
- Access and affordability
- Patient welfare
- Data security and privacy
- Product quality and safety

requirements, as well as annually by a Quality and Compliance Manager. In addition, every two months, our Quality Assurance board meeting follows the development of issues related to patients' health, staff behavior and service quality complaints, and ensures appropriate mitigation measures are taken in order to continue to provide best-in-class services. Finally, all services are inspected by the appropriate UK regulatory bodies. As of September 2016, 93% of its services were rated as 'Good' or 'Outstanding' by the UK's **Care Quality Commission**. This is almost 16% higher than the sector average and testament to the efficacy of our managers, teams and systems, as well as to the high quality of care the company provides.

Care Quality Commission (UK)

The Care Quality Commission (CQC) is an independent regulator of health and social adult health in the UK, established in 2009. It ensures health and social care services provide people with safe, effective, compassionate, and high-quality care and encourages care services to improve.

Mapping of key stakeholders



Examples of ESG integration in the healthcare portfolio in 2016:

Voyage Care, UK

Voyage Care provides support for thousands of people with learning and physical disabilities, brain injuries, autism and other needs across the UK. We acquired Voyage Care in September 2014 in a consortium with Duke Street and Tikehau. During our ownership, we have ensured industry-leading quality of care. Voyage Care operates within a robust quality assurance audit framework that has each service internally audited quarterly, in order to generate a score and action plan for any identified

MultiPlan, US

MultiPlan, Inc. (MultiPlan), the healthcare industry's most comprehensive provider of healthcare cost management solutions, was acquired by Partners Group and Starr Investment Holdings in March 2014. Early in due diligence, Partners Group's investment team highlighted information security as a critical ESG risk and opportunity for the company. While the healthcare industry's transition towards digitalized electronic health records improves efficiency and service delivery to patients, it also increases the risk of patient data and other sensitive information being stolen, exposed, or accessed by malicious parties. Although MultiPlan's information security practices rated significantly higher than other companies in the healthcare industry according to a 2015 rating by BitSight Technologies, a security expert that assesses a company's risks and evaluates performance, Partners Group and the company's board recognized an opportunity to strengthen the company's data security practices even further. Building on an initial cyber security rating of 770 ('advanced') against an industry benchmark of 710 for the financial industry and 620 for healthcare, Multiplan undertook measures to increase its rating, achieving a score of 810 by the end of 2015. This underscores the firm's commitment to having industry-leading security and business continuity practices to help protect sensitive patient data. In mid-2016, Partners Group and Starr Investment Holdings sold Multiplan to affiliates of Hellman & Friedman.

ESG and Corporate Responsibility Report

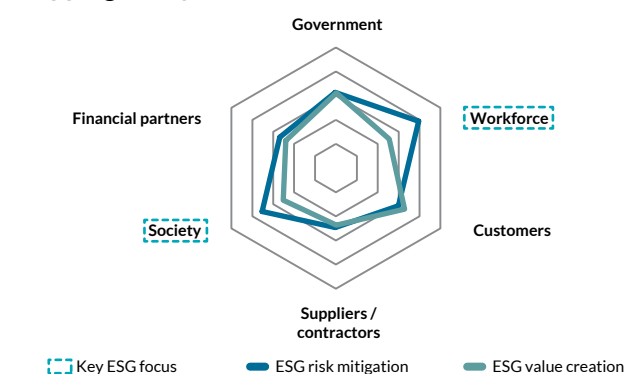
Industrials

The industrials vertical covers companies that produce goods used in construction and manufacturing, including industrial machinery, tools, and electronic equipment. Material ESG topics tend to focus on environmental management of operations, the health and safety of the workforce, and the responsible sourcing of inputs. The heavy use of manual labor and the environmental footprint of active operations results in a stakeholder emphasis on the workforce and society. Typical ESG projects can include efforts to reduce energy consumption, improve the management of hazardous waste, and enhance health & safety performance.

ESG topics likely to be material

- Water and wastewater management
- Lifecycle impacts of products and services
- Product quality and safety
- Materials sourcing
- Energy management
- Greenhouse gas emissions
- Employee health, safety and wellbeing

Mapping of key stakeholders



Examples of ESG integration in the industrials portfolio in 2016:

Dynacast, US

Dynacast is a global manufacturer of precision engineered metal components, utilizing proprietary die-cast and metal injection molding technologies. Partners Group acquired a controlling stake in the company in January 2015. In 2016, Partners Group worked with the company's management team to improve environmental management. In April, the

company partnered with a major battery company to install five state-of-the-art power pack batteries at its Lake Forest plant, lowering annual energy consumption by more than 6%. The battery blocks control energy consumption and demand during peak hours.

VAT, Switzerland

VAT Group AG (VAT) is the leading global developer, manufacturer and supplier of high-performance, high-end vacuum valves, multi-valve modules, edge-welded bellows and related value-added services. The company was acquired by Partners Group in February 2014, together with Capvis. In 2016, Partners Group worked with VAT to initiate a comprehensive program to meet the requirements arising from worldwide environmental legislation and green procurement initiatives. In line with the principles and policies defined by the industry association for the Consumer Technology Association (CTA), VAT limited or eliminated the presence of certain non-environmentally-friendly substances in its products. VAT also obtained certificates in **quality management (ISO 9001)** and **environmental management (ISO 14001)**.

ISO 9001

The ISO 9001 certification sets out criteria for implementing a quality management system and can be used by any organization, regardless of its field of activity. Using ISO 9001 helps ensure that customers are provided with consistent, good quality products and services. Over one million companies and organizations in over 170 countries are certified to ISO 9001.

ISO 14001

The ISO 14001 certification maps out a framework that a company or organization can follow to set up an effective environmental management system. It can be used by any organization regardless of its activity or sector. Using ISO 14001 can provide assurance to company management and employees as well as external stakeholders that environmental impact is being measured and improved.

ESG and Corporate Responsibility Report

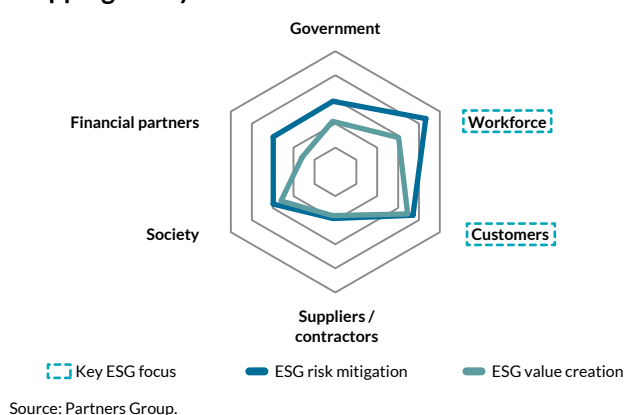
Financial & Business Services

This industry vertical at Partners Group covers a range of companies, from financial services including personal banking, support services to businesses like customer service, and education companies focused on early childhood. Due to these companies' reliance on human capital, ESG efforts focus on the workforce, with material topics being issues such as employee recruitment, development and retention and health & safety. There is also a heavy emphasis on the environmental and social impacts of the company's operations on its customers. Typical ESG projects in this vertical can include efforts to increase employee engagement, promote business ethics, and protect sensitive customer data.

ESG topics likely to be material

- Recruitment, development and retention
- Data security and customer privacy
- Business ethics and transparency of payments
- Customer welfare
- Employee health, safety and wellbeing

Mapping of key stakeholders



Examples of ESG integration in the financial & business services portfolio in 2016:

Foncia, France

Foncia Groupe SA (Foncia) is France's market-leading provider of residential property management services, with a network of more than 600 branches located throughout France, Switzerland, Germany and Belgium. Partners Group acquired Foncia in September 2016 and, throughout the year, worked with management to promote the effectiveness of the

company's ESG Committee. In the coming year, the Committee will guide and monitor Foncia's ESG initiatives in coordination with the Executive Committee and the Supervisory Board. For instance, on the environmental side, Foncia introduced a digital platform to facilitate communication and document exchange that aimed to reduce paper consumption by 35% using technologies such as an Extranet Platform to contact clients instead of letters. We plan to further expand this platform and also incorporate the large number of local suppliers into the digital ecosystem of Foncia.

KinderCare, US

KinderCare Education (KinderCare), the US' leading private provider of accredited early childhood education, was acquired by Partners Group in August 2015. Early in the ownership period, Partners Group aligned with company management in prioritizing employee engagement and commitment as one of the company's key differentiators in providing an unparalleled childcare experience to the families it serves. Building on investments in employee and leadership development, managerial accountability for engagement results, and cultural development programs, KinderCare was able to increase employee engagement at twice the rate of other companies its size in the US as measured by a **Gallup Q12 employee engagement survey**. To drive managerial accountability for ensuring employees feel committed to the company's goals, every KinderCare center receives an individualized scorecard of engagement results, in contrast to the traditional model of company-level results driving local strategies. KinderCare executes targeted training and development programs, including a two-and-a-half day manager conference training for all Center Directors, a two-and-a-half day leadership conference for all district-level managers, two dedicated days of training for teaching staff, and 24 hours of on-boarding training for every new teacher.

Gallup Q12 employee engagement survey

Gallup's Q12 survey comprises 12 questions that measure the most important elements of employee engagement, based on decades of research across different organizations, industries and countries. Organizations of any size, across any industry, can use the Q12 survey to measure engagement and its impact on business outcomes. To-date, the survey has been administered to over 25 million employees in 189 countries and 69 languages.



Alexan East 6th Street

During construction, the Alexan East 6th Street development project in Austin, Texas, recycled more than half of its construction and demolition waste. This achievement, along with environmentally-friendly design choices, earned the building a star rating from the Austin Energy Green Building Program.

ESG and Corporate Responsibility Report

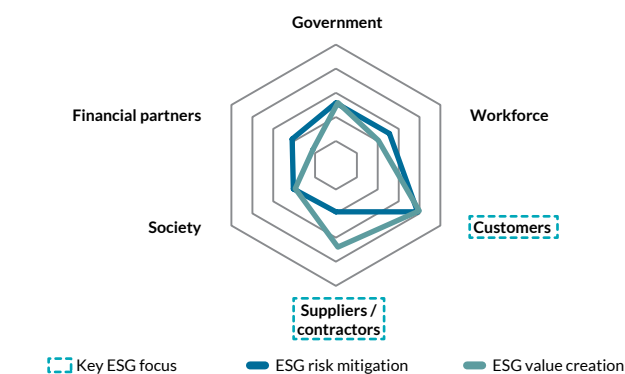
Consumer

Companies in the consumer sector provide goods or services that relate to items that are ultimately purchased by individuals rather than by manufacturers and industries. The growing awareness of a broad range of ESG issues within the consumer class has driven companies to broaden and deepen their sustainability programs. Material topics include responsible supply chain management, environmental management, and human capital development. As a result, stakeholder engagement focuses on customers and suppliers. Typical ESG projects can include efforts to reduce the environmental impact of operations, reduce injuries in the workplace, and improve employee retention.

ESG topics likely to be material

- Product quality and safety
- Supply chain management
- Materials sourcing
- Recruitment, development and retention
- Environmental management
- Fair disclosure and labeling

Mapping of key stakeholders



Examples of ESG integration in the consumer portfolio in 2016:

Pacific Bells, US

Pacific Bells is a leading franchisee of Taco Bell and Buffalo Wild Wings restaurants in the United States, which we acquired in October 2016. Based on our experience in improving health & safety performance at other portfolio companies, we oversaw significant reductions in workplace injuries due to a concerted program of executive communication on safety themes combined with routine audits and local safety meetings. In addition to periodic third-party audits, each restaurant completes a self-audit each month as part of its safety meetings. We have also prioritized investments in Pacific Bells' workforce, providing online and 'on the job' training programs. For the third year in a row, the organization exceeded the franchisor standard of 90% certification at all levels with a 95% overall certification level. This high level of certification leads to strong results in basic operational metrics as well as developing the workforce for success in current and future roles within the organization.

Hofmann Menü Manufaktur, Germany

Hofmann Menü Manufaktur (Hofmann) is a leading German provider of high-quality customized 'cook & freeze' products targeting small- and medium-sized business canteens and social organizations (e.g. hospitals, kindergartens, and retirement homes), which Partners Group acquired in January 2014. In 2016, we worked with company management to supplement conventional plastic-based packaging of its meals with eco-friendly, fully recyclable food trays. From July to September 2016, over 50'000 meals were shipped in these new containers and Hofmann will continue to scale up this program throughout 2017. Also in 2016, we exceeded our 2016-2020 target of reducing Hofmann's energy consumption in its production process by 5%, reducing it by 6.9% as measured by the **Energy Efficiency Index (EEI)**. We have now set a new goal of reducing Hofmann's per unit energy consumption by 11% by 2020.

Energy Efficiency Index

The Energy Efficiency Index (EEI) is an indicator that tracks the energy used to produce a unit of product, providing a metric to compare year-on-year energy consumption in production processes.

ESG and Corporate Responsibility Report

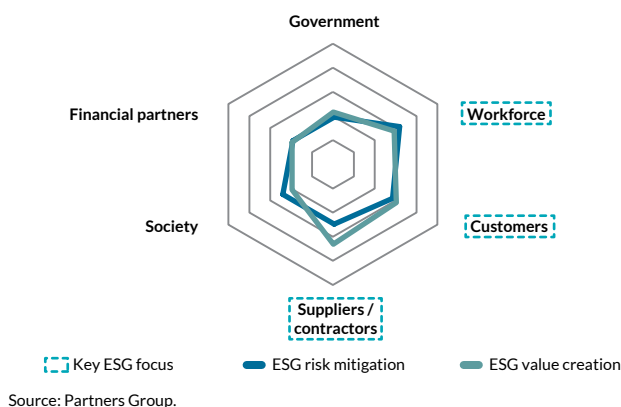
Media, Telecommunications & Information Technology

This broad industry vertical at Partners Group includes companies providing software and IT services, internet media and services, and telecommunications firms. Material ESG topics tend to include energy, water and waste management, the environmental footprint of data centers, supply chain management, and workforce issues like diversity and inclusion. As a result, the stakeholder focus often emphasizes suppliers, customers, and the workforce. Typical ESG projects for this vertical can include efforts to enhance environmental and social supply chain standards, promote diversity in the workforce and reduce energy consumption.

ESG topics likely to be material

- Data security and customer privacy
- Energy management
- Diversity and inclusion
- Lifecycle impacts of products and services
- Materials sourcing
- Recruitment, development and retention

Mapping of key stakeholders



Examples of ESG integration in the media, telecommunication & IT portfolio in 2016:

Axia NetMedia, France & North America

Axia NetMedia (Axia) owns, operates and sells services over fiber optic communications infrastructure. The company delivers services to customers in Alberta, Western

Massachusetts and France, largely in under-served rural areas. After acquiring the company in July 2016, Partners Group worked with the Axia management team in Alberta to prepare for the **Certificate of Recognition (COR)** health & safety audit carried out by the Government of Alberta. Axia achieved an industry-leading score of 97% and identified focus improvement areas for 2017, including enhanced GPS tracking of remote field technicians and first aid training for all staff.

Certificate of Recognition

A Certificate of Recognition (COR) is awarded to employers who develop health & safety programs to the benefit of employees that meet standards established by the Government of Alberta's Occupational Health and Safety (OHS) Act. A COR shows that the employer's health & safety management system has been evaluated by a certified auditor and meets regulatory standards.

Systems Maintenance Services, US

Systems Maintenance Services, Inc. (SMS) is a US-based company specializing in IT service and support solutions, including outsourced computer systems maintenance services to large enterprises, which Partners Group acquired in October 2016. Throughout the year, we worked with company management to achieve the **e-Stewards Standard** certification for the responsible recycling of aged electronic equipment. The certification confirms that SMS does not export hazardous electronic waste from developed to developing countries and ensures viable technology can be reused. It includes the ISO 14001 standard, making it a 'one-stop shop' for responsible used electronics management.

e-Stewards Standard

Created by the environmental organization Basel Action Network in 2009, the e-Stewards Standard defines and promotes responsible electronics reuse and recycling best practices worldwide.

ESG and Corporate Responsibility Report

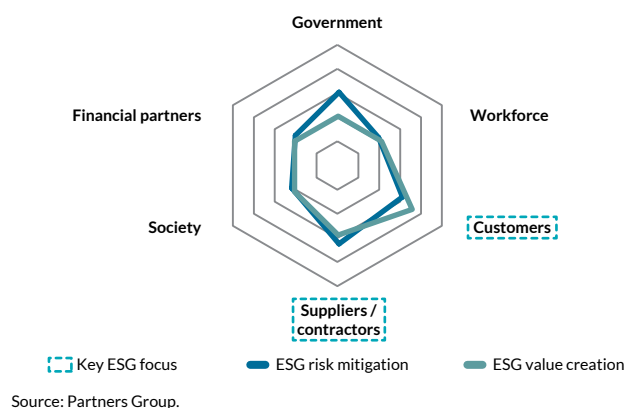
Real Estate

Partners Group's direct real estate investments include both new developments and improvements to the management of existing, under-performing buildings. The resource intensity of these physical structures translates into a wide range of material ESG topics, including energy and water management, access to alternative transportation, and relationships with the surrounding community. The sector's stakeholder focus emphasizes engagement with tenants (customers) and the suppliers and contractors that build and operate the structure. Typical ESG projects, especially for new developments, can include obtaining a certification in sustainable design from an internationally-recognized certification body.

ESG topics likely to be material

- Energy management
- Water and wastewater management
- Environmental/social impacts on assets and operations
- Business ethics and transparency of payments
- Access and affordability
- Community relations

Mapping of key stakeholders



Examples of ESG integration in the real estate portfolio in 2016:

200 North Michigan, Chicago, US

200 North Michigan is a 41-story, mixed-use development project with over 400 units and approximately 22'000 square feet of retail space situated near the financial district of Chicago, Illinois. Partners Group invested in the construction of the building in September 2013. With the support of Partners Group's Private Real Estate Asset Management team, the building achieved a Gold-level certification from the United States Green Building Council's **Leadership in Energy and Environmental Design (LEED)** program in 2016. The certification body noted particular achievements in construction waste management, water use reduction, and access to alternative and public transportation.

LEED certification

The United States Green Building Council's Leadership in Energy and Environmental Design (LEED) is the most widely used third-party verification for green buildings, with around 1.85 million square feet being certified daily. LEED works for all buildings – from homes to corporate headquarters – at all phases of development. Projects pursuing LEED certification earn points across several areas that address sustainability issues. Based on the number of points achieved, a project then receives one of four LEED rating levels: Certified, Silver, Gold and Platinum.

Alexan East 6th Street, Austin, US

Alexan East 6th Street is a Class A multi-family residential development project in Austin, Texas. Partners Group invested in the project in January 2015. In coordination with Partners Group's Private Real Estate Asset Management team, the building implemented a number of green initiatives at the property, including the installation of electric car charging stations, procurement of Energy Star Appliances and LED lightings, and the introduction of an energy-efficient heating, ventilation and air conditioning system in the clubhouse and leasing area. In 2016, the development was awarded a green rating by the Austin Energy Green Building Program.



Sydney Metro Northwest

Sydney Metro Northwest is Australia's largest public transport infrastructure project. The project is focused on sustainability and has implemented a number of initiatives to reduce its impact on the environment. For example, it has designed its train wash facilities to recycle over 80% of water back into the wash system.

ESG and Corporate Responsibility Report

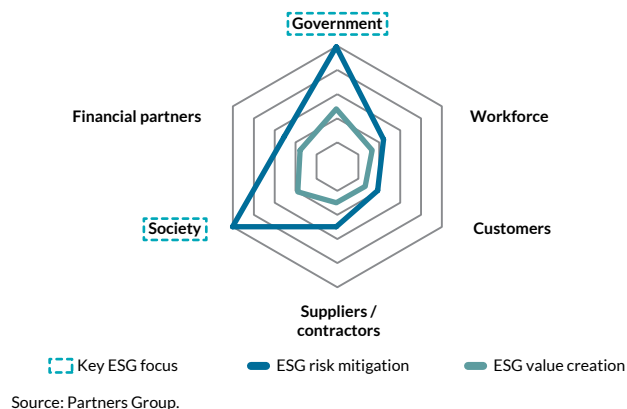
Infrastructure

Infrastructure is the set of structural elements that support the day-to-day function of human society, including the provision of water, power, and transportation. Relevant government entities tend to regulate the most material ESG factors for this asset class, including health & safety, the environmental impact of operations, and governance topics like bribery and corruption. However, an asset can undertake a number of additional ESG initiatives, such as efforts to reduce its environmental footprint, improve relations with the local community, and enhance overall project governance and controls.

ESG topics likely to be material

- Water and wastewater management
- Employee health, safety and wellbeing
- Community relations
- Environmental/social impacts on assets and operations
- Business ethics and transparency of payments

Mapping of key stakeholders



Examples of ESG integration in the infrastructure portfolio in 2016:

Fermaca, Mexico

Fermaca is a leading operator of gas infrastructure in Mexico that builds, owns and operates natural gas pipelines and other related energy assets in the country. After acquiring the company in February 2014, Partners Group ensured Fermaca's construction projects adhered to the **Equator Principles**, a well-known risk management framework in project finance.

By following the Equator Principles, Fermaca affirms that environmental and social factors are systematically assessed and all relevant standards are adhered to. In addition, the framework introduces a stakeholder engagement and grievance mechanism and increases transparency in reporting. Through this initiative, environmental and social factors have been systematically integrated into Fermaca's decision-making processes. In equipment selection for example, efficiency and emissions are a key decision criteria.

Equator Principles

The Equator Principles are a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects. They are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

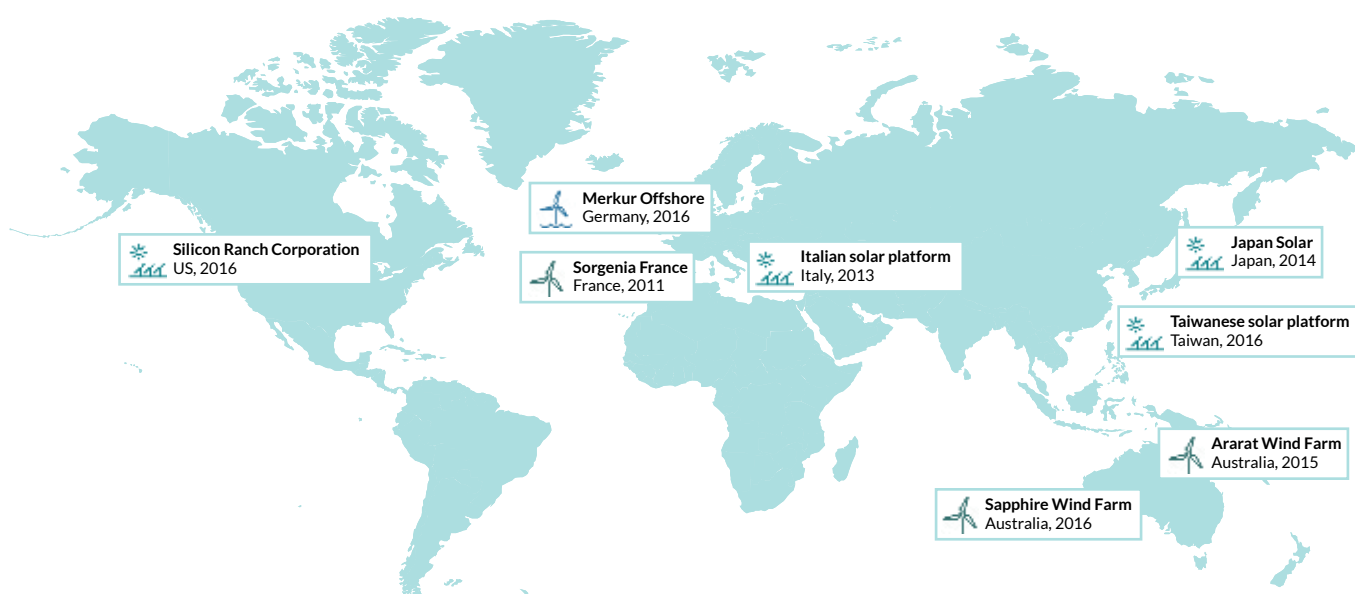
Sydney Metro Northwest, Australia

Sydney Metro Northwest is a rail infrastructure construction project being carried out for the New South Wales government in Australia. Partners Group invested in the project in September 2014. The project's sustainability policy is underpinned by over 20 leading performance targets and a strategy that drives best practice for design and construction, securing the sustainability of the future operations of Sydney Metro Northwest. During the construction phase, Partners Group monitored the hard targets and maximum footprint values in place for energy, fuel, water, carbon, waste, local workforce as well as performance measures linked to community wellbeing, land use integration and biodiversity. For example, in 2016 a bespoke electricity consumption software model was developed to predict, track and refine operational electricity consumption in relation to traction, stations, precincts, on-site energy generation and maintenance facilities. To improve energy efficiency and reduce consumption during peak demand, LED lighting, energy efficient fans, heating, cooling and ventilation systems were installed. New trains were also fitted with energy-saving braking capacity and have improved efficiency compared to those of existing Australian rail networks.

ESG and Corporate Responsibility Report

Our renewable energy portfolio in 2016

Renewable energy is a key focus area for Partners Group's Private Infrastructure team. Since 2001, the team has invested EUR 1.1 billion in 12 renewable energy assets globally, including investments in solar power, onshore wind power and offshore wind power. The illustration below shows the renewable energy assets in our portfolio in 2016. Combined, these assets have a total generation capacity of around 2'300MW, with another 630MW currently under construction.



Ararat Wind Farm



Silicon Ranch Corporation

ESG and Corporate Responsibility Report

We are a responsible firm

We are committed to good corporate governance and responsible business practices, as well as to the ongoing development of our diverse, global team. Our strong corporate culture fosters this development and aims to ensure sustained talent retention and the success of our business over the long term.

Our culture

We attribute much of our success to-date to our unique and entrepreneurial culture. Our firm was founded to deliver superior investment performance and built on the twin maxims of 'clients first' and 'make it happen'. In order to pass on Partners Group's core values and strategy to the next generation of leaders and employees around the world, we

have the Partners Group Charter, a living document for all employees that epitomizes these core values. It guides our behavior, activities and decisions and reflects who we are and what we do, every day. The Charter is an integral part of employee on-boarding and continued training for management through to entry level staff and is available in full at: www.partnersgroup.com/charter.

Our core values

Teamwork at all levels turns our diversity into strength and colleagues into friends. Our partnership is built upon integrity, honesty and fairness, and grows from empathy and respect. It calls for trust and transparency, and seeks constructive dialogue and open debates.

We are a team

We are curious and enthusiastic, putting our hearts and minds into what we do. We are fully committed to our clients and their beneficiaries. We are proud of our colleagues, accomplishments and partners in business.

Together we are Partners Group

We identify opportunities, launch initiatives, overcome challenges and take risks with the mind-set of an owner. We are courageous, agile and hard-working, and we do not confuse activity with accomplishment. We take responsibility and assume accountability.

Make it happen; no excuses



We deliver quality and honor our promises. As an organization committed to learning, we substantially invest in training and mentoring, and we design and operate world-class systems and processes. We take our fiduciary duty seriously, recognizing that our reputation is our most valuable asset.

No compromises; no surprises

We are recognized as role models in our professional and personal conduct. We proactively identify, develop and nurture our future leaders. We are caring and demanding to form a high-performance culture.

Our people are our assets

ESG and Corporate Responsibility Report

Our team

At Partners Group, we recognize that our employees are our most important asset and the key to our success. In 2016, we continued to expand our global investment platform to over 930 employees (2015: 840 employees).

Partners Group Charter

As stated in our Charter, we aim to attract and retain talented individuals and give them the opportunity to grow both professionally and personally. We are committed to employee development and offer our professionals a number of training, mentoring and assessment programs to foster their career paths and growth.

Our people drive our business

As an employer of choice, we attract talented individuals who are committed to our purpose, and we develop these professionals to perform at their best. Together we create a demanding and rewarding environment throughout our firm.

Extract from Partners Group's Charter

Training programs

Our in-house training programs include apprenticeships, internships, on-the-job training and exposure, junior leadership programs, our Associate Program and the newly introduced Financial Analyst program.

In our Associate and Financial Analyst Programs, participants rotate across our investment teams as well as within our investment solutions, corporate finance, and portfolio support teams. By being part of these teams and receiving on-the-job training, program members gain hands-on experience and insight into our global business. They develop a broad understanding of our firm, as well as of the wider private markets landscape.

We are also committed to developing the leadership skills of our more senior professionals and team heads and offer a number of dedicated training programs including our regional Team Head Training in the US, Europe and Asia, annual leadership days, Partners Group Charter sessions and Vision Lunches conducted by our senior executives.

Firm-wide, all new joiners are invited to attend a two-part introductory program, which provides them with an overview of our teams and their main activities, as well as a two-day induction event known as 'Wildspitz', during which groups of new joiners are given the chance to hear about the firm's history, strategy and culture from members of its senior management and receive insight into our employee performance and development efforts (see page 49). In addition, throughout the year, employees are encouraged to attend workshops and breakfast sessions aimed at gaining a deeper understanding of the firm's culture and Charter.

Mentoring

Our mentoring program encourages senior leaders to take direct personal responsibility for talent development. It gives employees the chance to find a more senior and experienced professional within the firm who can act as a personal mentor. It is a dedicated program designed to connect experienced senior professionals with the firm's future leaders. In 2016, we increased our mentoring program participants by 60%, with over 90% of the firm's Partners now serving as mentors.

Assessment programs

We evaluate individual performance and development through both a quantitative goal setting and a qualitative 360° assessment process to ensure employees receive feedback on their development and achievements. This is designed to empower employees to reach their personal and professional goals. More information about these assessment programs can be found in our 2016 Compensation Report

www.partnersgroup.com/compensation-report.

2016 snapshot

Training	Mentoring	Transfers	Career moves	Turnover
~200 employees further trained / developed	Over 90% of our Partners serve as mentors	~90 permanent moves and assignments to different offices	~70 new career opportunities through internal moves and rotations	11.3% – within our target range of 10-15%



New joiners attending Wildspitz in Switzerland

‘Wildspitz’ is the name of a mountain in Switzerland. However, over the years that mountain has lent its name to Partners Group’s traditional introduction event for new joiners. Over the course of two days, small groups of new employees are invited to the Wildspitz event and given the chance to hear about the firm’s history, strategy, culture and core values from members of its senior management team.

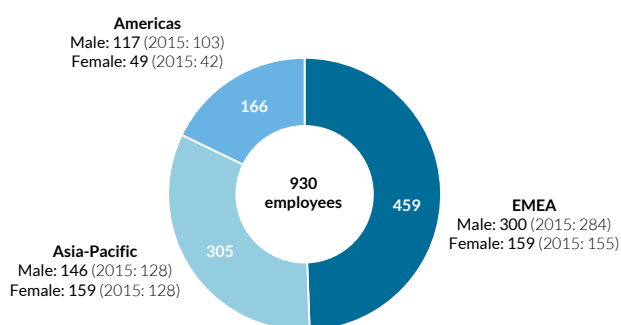
ESG and Corporate Responsibility Report

Diversity & inclusion

Partners Group is an equal opportunity employer and does not discriminate against employees or applicants on any basis. Based on our Charter, we commit ourselves to ensuring a non-discriminatory environment, to offering equal opportunities, and to promoting diversity of perspectives. In order to provide equal employment and advancement opportunities to all individuals, employment decisions at Partners Group are based on merit, qualifications, and abilities. This governs all aspects of employment, including selection, role opportunity, job or project assignment, promotion, reward, discipline, termination, and any further stages in our employee lifecycle.

We pride ourselves on building diversity into our workforce, welcoming a broad array of professionals and hiring and fostering local talent throughout our global platform. Today, our more than 900 professionals represent close to 60 different nationalities spread across 19 offices in 15 countries around the world, with around 40% of our global workforce made up of female employees.

Number of employees by location and gender



Note: as of 31 December 2016.

Corporate governance

We are committed to meeting high standards of corporate governance and aim to be consistent with international best practices. To establish the basis for strong corporate governance, we have adopted policies and standards in areas such as the Board's responsibilities, duties and independence, and the relationship between the Board and management. The Board has established specific sub-committees to promote and monitor their respective areas of responsibility: the Risk & Audit Committee, the Nomination & Compensation Committee, the Strategy Committee, the Markets Committee and the Investment Oversight Committee.

For detailed information on our corporate governance structure, please refer to our 2016 Corporate Governance Report: www.partnersgroup.com/corporate-governance-report.

Code of Conduct

We want to preserve the high legal, ethical and moral standards which have always been at the heart of our success and aim to foster a culture of compliance with international and local laws and regulations. Over the years, Partners Group has established a comprehensive set of policies and directives to ensure these aims are achieved. All employees must undergo targeted education sessions in which these directives and policies are introduced. Additionally, on an annual basis, all employees are required to take and pass an online compliance training program to ensure the content of these documents is consistently understood and applied. In 2017, we also published our Code of Conduct, which summarizes our most important policies and ethical standards. Together with our Charter, the Code guides our everyday behavior, activities and decisions. It applies to all employees of Partners Group and its affiliates worldwide and covers our dealings with all internal and external stakeholders and other third parties. Our Code of Conduct is now available in full on our website: www.partnersgroup.com/code-of-conduct.

Environment

We consider our firm as well as all individual employees directly responsible for protecting our environment. While we are unable to completely avoid emissions in our daily activities, we compensate for this through investing in sustainable, green projects geared at improving our environment.

In line with our Group Environmental Policy, we are also fully committed to reducing consumption of resources and improving their efficient use; managing waste and applying the principles of reduction, re-use and recycling in our offices; avoiding pollution by reducing unnecessary business travel; taking environmental issues into consideration when purchasing goods and services; and considering environmental issues and energy preservation in the acquisition, design, renovation, location and use of office buildings.

ESG and Corporate Responsibility Report

We are responsible citizens

We support entrepreneurial projects and organizations that create positive, high-impact and measurable social and/or environmental benefits through our employee foundation PG Impact (Verein), as well as through the independent global impact investment firm PG Impact Investments AG.

PG Impact (Verein) is a tax-exempt association run entirely by Partners Group employees, who contribute their time, expertise and money to identify, evaluate and invest in high-impact projects. Its mission is to make direct impact investments or grants and donations to social organizations.

PG Impact Investments AG is an independent impact investment firm, which Partners Group supported the launch of in 2015.

PG Impact Investments AG and PG Impact (Verein) are complementary, yet separate entities, although there are strong synergies between the two. The insights and networks built through the development of PG Impact (Verein) helped to launch PG Impact Investments AG. In turn, PG Impact Investments AG contributes to PG Impact (Verein) by helping to source smaller-scale impact investment and grant opportunities.

PG Impact (Verein)

Founded in 2006, PG Impact (Verein) is run entirely by Partners Group employees who contribute their time and expertise to identify, evaluate and invest in high-impact projects benefitting society and/or the environment. Over the past ten years, PG Impact has supported 27 projects in 19 countries through employee contributions. We believe making PG Impact a success is a powerful testament to our shared commitment to creating a lasting positive social impact.

PG Impact makes two types of monetary commitments to social organizations:

- Impactful grants and donations to dynamic social enterprises or charities which depend on charitable contributions and where no revenue distribution models are feasible.

- Direct impact investments to earlier stage social enterprises that generate revenues and positive cash flows, and most importantly deliver measureable social and/or environmental benefits.

2016 impact grant example: America Needs You

America Needs You (ANY) is a not-for-profit organization focused on improving economic mobility for first-generation college students in the US by improving educational outcomes. ANY's interventions are designed to improve graduation and employment rates for this disadvantaged population. ANY began operating in New York in 2010 with an inaugural class of 50 Fellows. The organization expanded to New Jersey in 2012 and to Illinois and California in 2016. ANY has more than 400 alumni Fellows today, and will serve more than 400 Fellows over the 2016-2017 academic year. Its positive social impact includes: (i) 96% of ANY Fellows have graduated or are on track to graduate from college vs. an 11% national average for first-generation college students, (ii) 100% of ANY Fellows attending community colleges have transferred to four-year colleges, vs. a 14% national average for first-generation college students, and (iii) ANY Fellows achieve starting salaries around 20% above national averages, resulting in an expected increase in lifetime earnings of USD 600'000. PG Impact made a donation of USD 50'000 on behalf of Partners Group employees to support ANY's 2016 expansion to Illinois. Partners Group has facilitated introductions to other impact investors and invited ANY Fellows to apply to the inaugural class of the Partners Group Financial Analyst Program (see page 48 for more information).

2016 impact investment example: SunCulture

SunCulture is a social enterprise based in Nairobi, Kenya, which sells a complete solution called AgroSolar Irrigation Kit, a solar-powered drip irrigation system that makes it more productive and less water intensive for farmers to grow crops. SunCulture was founded in 2012 by Samir Ibrahim and Charles Nichols. To-date, the company has sold over 450 systems, generating more than USD 580'000 in revenues. The SunCulture business model catalyzes positive social impact for small-hold farmers

ESG and Corporate Responsibility Report

by increasing crop productivity, generating additional income per acre via affordable irrigation solutions, offering financing assistance and assisting in access to local supermarkets. It also generates environmental impact by offering a water efficient irrigation solution with potential water savings of 1.3 billion liters annually and a solar powered irrigation solution enabling the use of solar energy instead of diesel or electricity. PG Impact invested USD 150'000 on behalf of Partners Group employees in a round A equity financing of USD 700'000.

PG Impact Investments AG

Inspired by the success of its impact investments, in 2015 Partners Group supported the launch of an independent investment firm, PG Impact Investments AG. PG Impact Investments' vision is that private investment, innovation and entrepreneurial talent can provide solutions to the challenges facing the poorest people in 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 needs.

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.

2016 investment example: GoodLife Pharmacy

In November 2016, PG Impact Investments invested in East Africa's leading pharmacy chain, GoodLife Pharmacy, on behalf of its clients. In partnership with Leapfrog Investments and other co-investors, PG Impact Investments will support the growth strategy of GoodLife Pharmacy with a target to provide quality access to more than 1 million emerging consumers by 2021.

GoodLife provides trusted pharmaceuticals to 600'000 customers from convenient locations across East Africa. Founded in Nairobi in 2014, the company has quickly grown to reach 19 stores under CEO Tony McNally, and plans to expand its footprint to 100+ stores over the next five years.

The World Health Organization estimates that some 30% of all pharmaceuticals in Sub Saharan Africa are counterfeit. GoodLife is among the companies and stakeholders that are working at the heart of these issues. The Pharmaceuticals

Society of Kenya's Green Cross Audit recently endorsed GoodLife for best pharmacy practice in the country, a result of their demonstration of excellence in pharmacy practice and governance standards.

2016 investment example: Shared-X LLC

In October 2016, PG Impact Investments invested in the agri-business Shared-X on behalf of its clients in order to support the company's international growth plan and its focus on lifting smallholder farmers out of poverty.

Shared-X grows high-value specialty crops in emerging countries with two central objectives: first, to generate investor returns on its own farms, and second, to lift out of poverty the smallholder farmers in its communities. Shared-X aims to crack the code of the 'yield gap' – the astonishing difference in levels of agricultural production between developed and emerging market farmers. Shared-X collapses the yield gap by deploying advanced, sustainable farming techniques and marketing methods, and then sharing them with its neighbors.

PG Impact Investments will work closely with the company's management team as Shared-X continues to expand its business and amplify its impact.



America Needs You

America Needs You (ANY) is a non-profit organization focused on improving economic mobility for first-generation college students in the US by improving education outcomes. To-date, 96% of ANY Fellows have graduated or are on track to graduate from college vs. a national average of 11% for first-generation students.

ESG and Corporate Responsibility Report

GRI Content Index

The table below indicates where information relating to the GRI G4 Sustainability Reporting Guidelines is located in this 2016 ESG and Corporate Responsibility Report and Annual Report. To keep our ESG and Corporate Responsibility Report short and reader-friendly, we have opted to display a condensed version of our GRI Content Index here. The full version is available on our website at: www.partnersgroup.com/responsibility/reports.

GRI G4 General Standard Disclosures	Description	Page in ESG and Corporate Responsibility Report/ Annual Report
Strategy and analysis		
G4-1	Chairman's statement.	28
Organizational profile		
G4-3	Name of the organization.	70
G4-4	Primary brands, products, and services.	6-14, 71-72
G4-5	Location of the organization's headquarters.	70
G4-6	Number of countries where the organization operates.	50, 164
G4-7	Nature of ownership and legal form.	164-165
G4-8	Markets served.	12-14
G4-9	Scale of the organization.	4-5, 8-20
G4-10	Total workforce by region and gender.	50
G4-11	Total employees covered by collective bargaining agreements.	None currently
G4-12	Organization's supply chain.	n/a*
G4-13	Any significant changes during the reporting period.	109
G4-14	Whether and how the precautionary approach is addressed.	175-179
G4-15	Endorsement of external charters, principles, or other initiatives.	31
G4-16	Memberships of associations.	31
Identified material aspects and boundaries		
G4-17	Entities included in the organization's consolidated financial statements.	70, 116-117, 164
G4-18	Process for defining the report content.	29
G4-19	Material Aspects identified in the process for defining report content.	55
G4-20	Aspect boundary within the organization.	29, 55
G4-21	Aspect boundary outside the organization.	29, 37-45, 55
G4-22	Effect of any restatements of information provided in previous reports.	No significant restatements*
G4-23	Changes from previous reporting periods in scope and Aspect boundaries.	n/a*
Stakeholder engagement		
G4-24	Stakeholder groups engaged by the organization.	29
G4-25	Basis for the identification and selection of stakeholders.	29
G4-26	Approach to stakeholder engagement.	29
G4-27	Key topics and concerns raised through stakeholder engagement.	29

* More detail is provided in the full GRI Content Index on our website: www.partnersgroup.com/responsibility/reports.

ESG and Corporate Responsibility Report

GRI G4 General Standard Disclosures	Description	Page in ESG and Corporate Responsibility Report/ Annual Report
Report profile		
G4-28	Reporting period.	29
G4-29	Date of most recent previous report.	March 2016
G4-30	Reporting cycle.	Annual
G4-31	Contact point for questions regarding the report.	190
G4-32	'In accordance' option chosen and GRI Content Index.	29
G4-33	Current practice with regard to seeking external assurance.	No external assurance
Governance		
G4-34	Governance structure and decision-making committees.	50, 164-189
Ethics and integrity		
G4-56	Values, principles, standards and norms of behavior.	47, 50

GRI G4 Specific Standard Disclosures: Material Aspects and Disclosures on Management Approach (DMA)

The list below includes the material aspects identified during Partners Group's materiality assessment process (see p. 29). All aspects identified pertain directly to Partners Group Holding AG and entities controlled by it.

GRI Category	Material Aspect	Page in ESG and Corporate Responsibility Report/Annual Report
Economic	Economic Performance	6-20
	Indirect Economic Impacts	6-20, 30-46
Environmental	Compliance	50
Labor Practices and Decent Work	Employment	48-50
	Training and Education	48
	Diversity and Equal Opportunity	50
	Equal Remuneration for Women and Men	149-150
Human Rights	Investment	51-52
	Non-discrimination	50
Society	Compliance	50
Product Responsibility	Marketing Communications	50
	Customer Privacy	50
	Compliance	50
Other Material Aspects identified		Page in ESG and Corporate Responsibility Report/Annual Report
Responsible Investment		28, 30-46
Risk management		175-179
Compensation and benefits		141-162

Index to the consolidated financial statements and report of the auditors

1. Report of the auditors on the consolidated financial statements	57
---	-----------

2. Consolidated financial statements:
--

- Consolidated income statement for the years ended 31 December 2016 and 2015	62
- Consolidated statement of comprehensive income for the years ended 31 December 2016 and 2015	63
- Consolidated balance sheet as of 31 December 2016 and 2015	64
- Consolidated statement of changes in equity for the years ended 31 December 2016 and 2015	66
- Consolidated statement of cash flows for the years ended 31 December 2016 and 2015	68
- Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015	70

Report of the auditors on the consolidated financial statements



Statutory Auditor's Report

To the General Meeting of Partners Group Holding AG, Baar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Partners Group Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 62 to 125) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters



Recognition of revenues from management services (net)



Valuation of financial investments

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report of the auditors on the consolidated financial statements



Recognition of revenues from management services (net)

Key Audit Matter

Revenues from management services, which comprises management fees, commitment fees, organisational fees and performance fees, are the result of investment management services within the Group's operating segments. Payments to third parties for the introduction of clients as well as rebates paid to clients are recognised as revenue deductions.

Revenues from management services (net) is an area of focus due to the size and importance to the Group's results.

The calculations of revenues and revenue deductions are largely automated. There are a number of inherent risks in calculating certain types of revenue and revenue deductions including the interpretation and manual input of key contractual terms, which could lead to errors. The bespoke and complex nature of underlying investment management agreements and other contractual terms involving multiple Group entities requires effective monitoring to ensure all financial terms and conditions are captured completely and accurately and are applied appropriately.

Performance fees are inherently more complex in nature. The assessment of the likelihood of a future clawback on such fees and the determination whether criteria set in the carried interest arrangements are met require management's judgement. The determination of performance fees is based on the underlying valuation of the investment portfolio and requires manual interventions.

Our response

Amongst other procedures, we obtained an understanding of management's processes and controls around the calculation of revenues and revenue deductions by performing walkthrough procedures, testing relevant key controls and evaluating the governance structure. We analysed independent third party controls reports on valuation related processes and controls to determine whether they were appropriate for our purposes.

On a sample basis, we obtained confirmations from the external auditor of the underlying investment programs on the revenues from management services covered in their audit and reconciled these revenues to the Group's general ledger. We also performed inquiries with the external auditor of the underlying investment programs to confirm that the audits on the sampled investment programs were completed.

On a sample basis, we agreed revenue deductions to underlying contracts and performed manual recalculations.

We obtained an understanding of the Group's processes and controls around the calculation of performance fees by evaluating the terms and conditions set out in the underlying partnership agreements and performing walkthrough procedures.

On a sample basis, we tested performance fees by:

- Performing analytical procedures based on our understanding of investment realisations and the performance of the investment fund;
- Discussing and evaluating management's assessment of the likelihood of a future clawback of performance fees by challenging and back-testing the key assumptions. We further corroborated whether such fees had been recognised in the appropriate period;
- Reconciling potential performance fee values used in the assessment of a future clawback to the accruals in the financial statement of the underlying investment programs; and
- Evaluating completeness by assessing whether a sample of eligible but unearned performance fees should have been recognised during the 2016 financial year.

Report of the auditors on the consolidated financial statements



For further information on the recognition of revenues from management services (net) refer to notes 2 and 3 to the consolidated financial statements on pages 70 to 75.



Valuation of financial investments

Key Audit Matter

As at 31 December 2016, financial investments on the Group's balance sheet amounted to CHF 359.2 million (2015: CHF 338.2 million). In addition, financial investment presented as assets held for sale amounted to CHF 187.6 million (2015: CHF 90.0 million). These assets represent a significant portion of the Group's total balance sheet.

The financial investment and assets held for sale portfolio comprises a large number of unquoted securities for which no prices are available and which have little or no observable inputs. The Group applies valuation techniques such as the market approach, the income approach or the adjusted net asset value method that are based on international standards.

The fair value assessment requires significant judgement by management, in particular with regard to key input factors such as earnings multiples, liquidity discounts, discount rates or the selection of valuation multiples.

Our response

Our procedures included obtaining an understanding of the Group's processes and key controls around the valuation of and accounting for unquoted investments by performing walkthrough procedures, testing relevant key controls and evaluating the valuation governance structure. We analysed independent third party controls reports on valuation related processes and controls to determine whether they were appropriate for our purposes.

On a sample basis, we obtained confirmations from the external auditor of the underlying investment programs on their net asset values or the valuation of their investments. We also performed inquiries with the external auditor of the underlying investment programs to confirm that the audits on the sampled investment programs were completed. The proportionate holdings of the Group in such financial investments were reconciled to the Group's transaction records that are kept for each investor.

We further assessed if adjustments to the fair values in the financial statements of the underlying investment programs are required.

For further information on the valuation of financial investments refer to notes 2 and 5 to the consolidated financial statements on pages 70 and 82 to 95.

Report of the auditors on the consolidated financial statements



Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

Report of the auditors on the consolidated financial statements



- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Christoph Gröbli
Licensed Audit Expert
Auditor in Charge

Thomas Dorst
Licensed Audit Expert

Zurich, 8 March 2017

Consolidated income statement for the years ended 31 December 2016 and 2015

In thousands of Swiss francs	Note	2016	2015
Management fees and other revenues, net		654'029	537'664
Performance fees, net		294'360	64'207
Revenues from management services, net	3.	948'389	601'871
Other operating income	5.2.	24'426	16'707
Share of results of associates	6.	3	21
Third party services		(8'878)	(7'194)
Personnel expenses	4.1.	(317'507)	(201'803)
General and administrative expenses		(32'503)	(27'988)
Travel and representation expenses		(13'390)	(14'176)
EBITDA		600'540	367'438
Depreciation and amortization	10. & 11.	(11'501)	(10'607)
EBIT		589'039	356'831
Net finance income and expense	5.1.	37'604	81'042
Profit before tax		626'643	437'873
Income tax expense	9.1.	(68'499)	(41'943)
Profit for the period		558'144	395'930
Profit for the period attributable to owners of the Company		558'144	395'930
Basic earnings per share (in Swiss francs)	13.	21.15	14.99
Diluted earnings per share (in Swiss francs)	13.	20.92	14.81

Consolidated statement of comprehensive income for the years ended 31 December 2016 and 2015

In thousands of Swiss francs	Note	2016	2015
Profit for the period		558'144	395'930
Other comprehensive income:			
Exchange differences on translating foreign operations		(25'870)	(27'533)
Total other comprehensive income that may be reclassified to the income statement in subsequent periods		(25'870)	(27'533)
Net actuarial gains/(losses) from defined benefit plans	4.6.	330	(2'655)
Tax impact on net actuarial gains/losses from defined benefit plans		(48)	651
Actuarial gains/(losses) from defined benefit plans, net of tax		282	(2'004)
Total other comprehensive income not being reclassified to the income statement in subsequent periods, net of tax		282	(2'004)
Total other comprehensive income for the period, net of tax		(25'588)	(29'537)
Total comprehensive income for the period, net of tax		532'556	366'393
Total comprehensive income attributable to owners of the Company		532'556	366'393

Consolidated balance sheet

as of 31 December 2016 and 2015

In thousands of Swiss francs	Note	31 December 2016	31 December 2015
Assets			
Cash and cash equivalents		185'971	163'776
Fixed deposits and marketable securities	5.3.3.	32'704	11'561
Trade and other receivables ¹⁾	5.4.1.	233'653	117'204
Short-term loans	5.3.5.	708'868	581'108
Assets held for sale	5.3.4.	187'559	90'017
Total current assets		1'348'755	963'666
Property and equipment	10.	22'165	15'522
Intangible assets	11.	50'534	46'448
Investments in associates	6.	115'988	129'440
Financial investments	5.3.2.	359'225	338'162
Other financial assets		5'990	3'917
Deferred tax assets	9.2.	25'769	3'809
Total non-current assets		579'671	537'298
Total assets		1'928'426	1'500'964

¹⁾ Comparative amounts have been represented. For further information see note 17.2.3.

Consolidated balance sheet

as of 31 December 2016 and 2015

In thousands of Swiss francs	Note	31 December 2016	31 December 2015
Liabilities and equity			
Liabilities			
Trade and other payables ¹⁾	7.	180'267	119'535
Income tax liabilities		35'187	26'050
Borrowings		-	95'000
Provisions ²⁾	8.	65'181	20'406
Liabilities held for sale	5.3.4.	87'063	5'182
Total current liabilities		367'698	266'173
Employee benefit obligations	4.6.	2'214	1'727
Provisions ²⁾	8.	13'294	2'446
Deferred tax liabilities	9.2.	3'657	5'690
Other long-term liabilities		790	920
Total non-current liabilities		19'955	10'783
Total liabilities		387'653	276'956
Equity			
Share capital	12.	267	267
Treasury shares		(72'984)	(133'802)
Legal reserves	12.	218	218
Other components of equity		1'613'272	1'357'325
Equity attributable to owners of the Company		1'540'773	1'224'008
Total liabilities and equity		1'928'426	1'500'964

¹⁾ Comparative amounts have been represented. For further information see note 17.2.3.

²⁾ The current portion of provisions has been represented. For further information see note 17.2.3.

Consolidated statement of changes in equity

for the years ended 31 December 2016 and 2015

In thousands of Swiss francs	Equity attributable to owners of the Company						2016
				Other components of equity			
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Total
Balance as of 1 January 2016	267	(133'802)	218	(66'087)	1'423'412	1'357'325	1'224'008
Transactions with owners of the Company, recorded directly in equity							
<i>Contributions by and distributions to owners of the Company:</i>							
Purchase of treasury shares		(165'872)					(165'872)
Disposal of treasury shares		226'690			(44'241)	(44'241)	182'449
Share-based payment expenses					24'335	24'335	24'335
Tax effect resulting from equity-settled transactions					20'471	20'471	20'471
Dividends paid to owners of the Company					(277'174)	(277'174)	(277'174)
Total contributions by and distributions to owners of the Company	-	60'818	-	-	(276'609)	(276'609)	(215'791)
Profit for the period					558'144	558'144	558'144
Total other comprehensive income for the period, net of tax	-	-	-	(25'870)	282	(25'588)	(25'588)
Total comprehensive income for the period, net of tax	-	-	-	(25'870)	558'426	532'556	532'556
Balance as of 31 December 2016	267	(72'984)	218	(91'957)	1'705'229	1'613'272	1'540'773

Consolidated statement of changes in equity

for the years ended 31 December 2016 and 2015

In thousands of Swiss francs	Equity attributable to owners of the Company						2015
				Other components of equity			
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Total
Balance as of 1 January 2015	267	(119'783)	218	(38'554)	1'261'243	1'222'689	1'103'391
Transactions with owners of the Company, recorded directly in equity							
<i>Contributions by and distributions to owners of the Company:</i>							
Purchase of treasury shares		(271'512)					(271'512)
Disposal of treasury shares		257'493			(43'850)	(43'850)	213'643
Share-based payment expenses					25'623	25'623	25'623
Tax effect resulting from equity-settled transactions					11'464	11'464	11'464
Dividends paid to owners of the Company					(224'994)	(224'994)	(224'994)
Total contributions by and distributions to owners of the Company	-	(14'019)	-	-	(231'757)	(231'757)	(245'776)
Profit for the period					395'930	395'930	395'930
Total other comprehensive income for the period, net of tax	-	-	-	(27'533)	(2'004)	(29'537)	(29'537)
Total comprehensive income for the period, net of tax	-	-	-	(27'533)	393'926	366'393	366'393
Balance as of 31 December 2015	267	(133'802)	218	(66'087)	1'423'412	1'357'325	1'224'008

Consolidated statement of cash flows

for the years ended 31 December 2016 and 2015

In thousands of Swiss francs	Note	2016	2015
Operating activities			
Profit for the period		558'144	395'930
<i>Adjustments:</i>			
Share of results of associates (LGT)	6.	(3)	(21)
Net finance (income) and expense	5.1.	(37'604)	(81'042)
Income tax expense	9.1.	68'499	41'943
Depreciation and amortization ¹⁾	10. & 11.	11'501	10'607
Share-based payment expenses	4.2	24'335	25'623
Change in provisions	8.	54'455	10'678
Other non-cash items ¹⁾		805	986
Operating cash flow before changes in working capital		680'132	404'704
(Increase)/decrease in trade and other receivables and short-term loans		(266'446)	(112'764)
Increase/(decrease) in trade and other payables		63'847	19'917
Financial expenses (other than interest) paid		(1'032)	(1'152)
Cash generated from/(used in) operating activities		476'501	310'705
Income tax paid		(57'698)	(34'239)
Net cash from/(used in) operating activities		418'803	276'466
Investing activities			
Purchase of fixed deposits and marketable securities		(31'372)	-
Proceeds on disposal of fixed deposits and marketable securities		-	478
Purchase of property and equipment	10.	(10'857)	(2'453)
Purchase of intangible assets	11.	(13'737)	(5'566)
Purchase of financial investments ¹⁾		(140'675)	(111'845)
Proceeds on disposal of financial investments ²⁾		146'835	72'381
(Purchase)/disposal of investments in associates		13'588	-
Acquisition of subsidiary, net of cash acquired	15.1.2.	-	(73'668)
Purchase of other financial assets		(3'575)	(863)
Proceeds on disposal of other financial assets		1'264	493
Interest and dividends received ³⁾		191	108
Net cash from/(used in) investing activities		(38'338)	(120'935)

¹⁾ Comparative amounts have been represented. For further information see note 17.2.3.

Consolidated statement of cash flows

for the years ended 31 December 2016 and 2015

In thousands of Swiss francs	Note	2016	2015
Financing activities			
Proceeds from/(repayments of) borrowings, net		(95'000)	95'000
Interest paid	5.1.	(962)	(263)
Dividends paid to shareholders of the Company	12.	(277'174)	(224'994)
Purchase of treasury shares		(165'872)	(271'512)
Disposal of treasury shares		182'449	213'643
Net cash from/(used in) financing activities		(356'559)	(188'126)
Net increase/(decrease) in cash and cash equivalents			
		23'906	(32'595)
Cash and cash equivalents as of 1 January		163'776	199'260
Exchange differences on cash and cash equivalents		(1'711)	(2'889)
Cash and cash equivalents as of 31 December		185'971	163'776

¹⁾ Purchases of assets and liabilities held for sale are included in this line item.

²⁾ Proceeds on disposal of assets and liabilities held for sale are included in this line item.

³⁾ Comparative amounts have been represented. For further information see note 17.2.3.

In thousands of Swiss francs	31 December 2016	31 December 2015
Bank balances	185'941	163'761
Petty cash	30	15
Total cash and cash equivalents	185'971	163'776

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

1. Reporting entity

Partners Group Holding AG ("the Company") is a company domiciled in Switzerland whose shares are publicly traded on the SIX Swiss Exchange. The address of the Company's registered office is Zugerstrasse 57, 6341 Baar-Zug, Switzerland. The consolidated financial statements for the years ended 31 December 2016 and 2015 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates. The consolidated financial statements were authorized for issue by the Board of Directors ("BoD") on 8 March 2017 and are subject to approval at the Annual General Meeting of shareholders on 10 May 2017.

The principal activities of the Group are described in note 3.

The consolidated financial statements present a true and fair view of the Group's financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") and comply with Swiss law.

2. Critical accounting estimates and judgments

Estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future and exercises judgment in applying its accounting policies. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as well as significant judgments in applying accounting policies, are discussed below.

(a) Accounting for investment programs

The Group assessed its involvement with the investment programs that it manages to determine whether it has control over them (see note 17.3.). In accordance with IFRS 10, the Group assessed its power over the investment programs, its exposure or rights to variable returns and its ability to use its power to affect its returns. The assessment determined whether or not the Group acts as an agent on behalf of the investors in the investment programs and within delegated decision-making rights.

In its assessment, the Group focused on the exposure to the total economic interest that is a combination of the stake the Group holds in an investment program and the Group's remuneration for its activities with regard to an investment program. IFRS 10 does not provide clear-cut thresholds. The Group took all facts and circumstances into consideration and concluded that it acts as an agent for all investment programs that it manages, except for seed capital financed investment programs (see note 17.15.). For detailed information on the investment programs and their carrying amounts please refer to note 5.3.2.

(b) Fair value

A significant portion of the Group's assets and liabilities are carried at fair value. The fair value of some of these assets (including marketable securities) is based on quoted prices in active markets or observable inputs.

In addition, the Group holds financial instruments for which no quoted prices are available and which have little or no observable inputs. For these financial instruments, the determination of fair value requires subjective assessment with varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific financial instrument. In such circumstances, valuation is determined based on management's judgment about the assumptions that market participants would use in pricing assets or liabilities (including assumptions about risk). These financial instruments include derivatives, private equity, private debt, private real estate and private infrastructure investments as well as other assets.

For more information regarding fair value measurement refer to note 5.5.

(c) Revenue recognition

Instances may arise where the Group has to decide whether revenues should be recognized or not. This mainly relates to performance fees, which are foreseeable, but have not yet been distributed to the Group or are subject to claw-back. Performance fees are only recognized once the likelihood of a potential significant future claw-back is not considered meaningful anymore in the assessment of the Group.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

3. Segment information

The BoD has been identified as the chief operating decision-maker. The BoD reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the following operating segments based on these reports:

- Private equity
- Private debt
- Private real estate
- Private infrastructure

In these operating segments, the Group services its clientele with investment management services in the private markets spectrum, comprising structuring and investment advising as relates to direct investments in operating companies or assets and investments in third party managed investment programs. In its management services, the Group offers diversified as well as more focused investment programs as relates to investment styles, industry and geography of the investments in private markets.

Private equity

Private equity refers to investments made in private – i.e. not publicly traded – companies. Private equity investments are characterized by financing stage, which refers to the stage of development of a company at the point of investment. Each financing stage carries distinct risk, return and correlation characteristics. Accordingly, each financing stage can play a different role within a diversified private equity portfolio. The Group covers the full range of opportunities offered by this type of investment, from investments in venture and growth capital to buyouts and restructuring as well as other special situations opportunities.

Private debt

Private debt refers to debt financing for private – i.e. not publicly traded – corporations or large projects. Private debt allows investors to access investment opportunities that are not available in the public corporate bond market. The Group mainly invests in subordinated debt associated with buyout transactions (mezzanine or second lien). Mezzanine directs are a direct infusion of capital into selected companies within the framework of corporate take-overs.

Private real estate

Private real estate refers to investments made in private – i.e. not publicly traded – real estate assets. Within this sector, there is a wide range of investment opportunities, from housing complexes and office space to shopping centers and industrial buildings. The Group covers the full range of equity and debt investment opportunities offered by real estate assets.

Private infrastructure

Private infrastructure refers to investments made in private – i.e. not publicly traded – infrastructure assets. Private infrastructure comprises of investments in assets within different infrastructure sectors, such as transportation, communication, power conventional, power renewable, energy infrastructure, water, social infrastructure and waste management. Private infrastructure investments are generally characterized by long-term visibility and stability of cash flows underpinned by assets with either regulated revenues or long-term contracts with creditworthy counterparties. The Group covers the full range of equity and junior debt investment opportunities offered by the private infrastructure asset class.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

The activities in all operating segments consist of:

- Strategic asset allocation and portfolio management
- Investment management and monitoring
- Risk management
- Reporting and portfolio administration
- Relationship management
- etc.

The BoD assesses the performance of the operating segments based on a gross segment result, determined from the allocation of directly attributable revenues and expenses for the respective operating segment. Therefore, the gross results per operating segment do not include the allocation of expenses which are not directly attributable, such as overhead and general operating expenses etc. All not directly attributable elements of profit or loss are summarized in the unallocated column.

Management believes that this reporting is most relevant in evaluating the results of its operating segments.

The Group disclosed no inter-segment transactions, as there were none; consequently no eliminations are necessary.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

In thousands of Swiss francs	Operating segments				2016	
	Private equity	Private debt	Private real estate	Private infrastructure	Unallocated	Total
Management fees and other revenues	490'846	79'949	105'044	80'837	644	757'320
Performance fees	286'335	6'233	7'580	8'049	-	308'197
Revenue deductions	(76'440)	(12'554)	(16'957)	(11'177)	-	(117'128)
Revenues from management services, net	700'741	73'628	95'667	77'709	644	948'389
Other operating income	10'183	3'194	8'587	2'064	398	24'426
Share of results of associates	3	-	-	-	-	3
Total	710'927	76'822	104'254	79'773	1'042	972'818
Third party services	(690)	(329)	(157)	(83)	(7'619)	(8'878)
Personnel expenses	(63'531)	(14'203)	(22'435)	(21'505)	(195'833)	(317'507)
General and administrative expenses	(1'201)	(9)	(8)	(9)	(31'276)	(32'503)
Travel and representation expenses	(1'638)	(497)	(655)	(714)	(9'886)	(13'390)
Gross segment result before depreciation and amortization	643'867	61'784	80'999	57'462	(243'572)	600'540
Depreciation and amortization	-	-	-	-	(11'501)	(11'501)
Gross segment result	643'867	61'784	80'999	57'462	(255'073)	589'039
<i>Reconciliation to profit for the period:</i>						
Net finance income and expense						37'604
Income tax expense						(68'499)
Profit for the period						558'144

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

In thousands of Swiss francs	Operating segments				2015	
	Private equity	Private debt	Private real estate	Private infrastructure	Unallocated	Total
Management fees and other revenues	413'474	67'096	109'745	53'546	1'298	645'159
Performance fees	57'518	6'852	1'363	144	-	65'877
Revenue deductions	(70'020)	(11'346)	(17'315)	(10'484)	-	(109'165)
Revenues from management services, net	400'972	62'602	93'793	43'206	1'298	601'871
Other operating income	5'530	1'642	4'947	869	3'719	16'707
Share of results of associates	21	-	-	-	-	21
Total	406'523	64'244	98'740	44'075	5'017	618'599
Third party services	(781)	(19)	(259)	(53)	(6'082)	(7'194)
Personnel expenses	(37'499)	(10'302)	(14'634)	(11'149)	(128'219)	(201'803)
General and administrative expenses	(49)	(12)	(24)	(32)	(27'871)	(27'988)
Travel and representation expenses	(1'829)	(462)	(759)	(690)	(10'436)	(14'176)
Gross segment result before depreciation and amortization	366'365	53'449	83'064	32'151	(167'591)	367'438
Depreciation and amortization	-	-	-	-	(10'607)	(10'607)
Gross segment result	366'365	53'449	83'064	32'151	(178'198)	356'831
<i>Reconciliation to profit for the period:</i>						
Net finance income and expense						81'042
Income tax expense						(41'943)
Profit for the period						395'930

As the Group pursues a fully integrated investment approach, many professionals are engaged in assignments across several operating segments within the private markets asset classes. Thus, only the personnel expenses of those professionals entirely dedicated to a single operating segment have been allocated to the respecting operating segments, leading to the majority of personnel expenses being unallocated to any of the operating segments. The same applies to third party services, general and administrative expenses as well as travel and representation expenses. Depreciation and amortization have not been allocated to the operating segments.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

Geographical information

The operating segments are managed on a worldwide basis with Guernsey as a main management hub. However, advisory services are primarily provided out of Switzerland, whereas local offices ensure access to worldwide markets and investment opportunities. In presenting information on the basis of geographical operating segments, operating segment revenue is based on the geographical location where the respective revenues are accounted for; i.e. in the location in which the revenues are shown in the Group entities' financial statements.

In thousands of Swiss francs	Net revenues	
	2016	2015
Switzerland	405'122	258'526
Guernsey	236'710	135'367
North America	131'953	87'739
Other European countries	85'522	62'567
Rest of world	89'082	57'672
Total revenues from management services, net	948'389	601'871

In 2016 and 2015, no direct counterparty of the Group contributed more than 10% to the Group's revenues from management services, net.

4. Remuneration

4.1. Personnel expenses

In thousands of Swiss francs	Note	2016	2015
Wages and salaries		(188'325)	(136'629)
Share-based payment expenses	4.2.	(23'934)	(25'388)
Other long-term benefits (management carry program)	4.4.	(65'286)	(10'403)
Retirement schemes - defined contribution plans		(9'190)	(8'054)
Retirement schemes - defined benefit plans	4.6.	(2'969)	(2'777)
Other social security expenses		(19'428)	(10'053)
Sundry personnel expenses		(8'375)	(8'499)
Total personnel expenses		(317'507)	(201'803)

The increase in personnel expenses mainly resulted from the increase in performance fees recognized, whereby the Nomination & Compensation Committee and the BoD plan an allocation of around 40% of the recognized performance fees to senior professionals.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

4.2. Share-based payment expenses

The Group recognized the following expenses for grants in 2016, as well as in previous periods:

In thousands of Swiss francs	Note	2016	2015
Grants 2010 (options and non-vested shares)		-	(1'570)
Grants 2011 (options and non-vested shares)		(160)	(996)
Grants 2012 (options and non-vested shares)		(710)	(2'007)
Grants 2013 (options and non-vested shares)		(1'852)	(4'166)
Grants 2014 (options and non-vested shares)		(3'782)	(7'681)
Grants 2015 (options and non-vested shares)		(6'962)	(7'804)
Grants 2016 (options and non-vested shares)	4.3.	(9'403)	-
Share grants at start of employment	4.5.	(1'065)	(1'164)
Total share-based payment expenses¹⁾		(23'934)	(25'388)

¹⁾ Share-based payment expenses for non-executive member of the BoD of CHF 0.4 million (2015: 0.2 million) are disclosed as third party services.

The average number of employees in 2016 was 882 (2015: 794), which is equivalent to 864 full-time employees (2015: 780).

4.3. Option and share grants

The Group started to establish share option programs in 2000. Up until 30 June 2006, the share option programs vested at grant. Thereafter, the Group implemented vesting conditions consisting of a five- and six-year service period, respectively.

Starting in 2010, the Group implemented additional plans for more junior employees with vesting conditions of a two-year service period for 35% of the non-vested share grants.

In 2014, the Group introduced a linear vesting model, with proportionate annual vesting every year over a three- or five-year period following the awards, depending on the rank of the employee and contingent on the employee remaining with the Group during the respective service period.

In 2015, the Group implemented a management incentive plan. The vesting of this long-term option-only plan for senior management follows a five-year (50% of grant) and six-year (50% of grant) cliff-vesting model.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

The number and weighted average exercise prices of share options and non-vested shares developed as follows:

	Weighted average exercise price (in CHF)	Number of instruments	Weighted average exercise price (in CHF)	Number of instruments
	2016	2016	2015	2015
Outstanding as of 1 January	204.26	1'130'755	148.04	1'506'281
Forfeited during the period	125.21	(43'896)	138.89	(31'860)
Exercised during the period	131.40	(332'495)	118.31	(584'197)
Granted during the period - options	679.66	385'110	449.01	181'545
Granted during the period - shares	-	55'145	-	58'986
Outstanding as of 31 December	371.27	1'194'619	204.26	1'130'755
Exercisable as of 31 December		331'201		413'376

Of the outstanding 1'194'619 options and non-vested shares (31 December 2015: 1'130'755), 331'201 options are exercisable immediately (31 December 2015: 413'376). All other options and non-vested shares are subject to a restriction period of at least until 19 November 2017.

The outstanding instruments are split by strike price and grant year as follows:

Numbers of instruments outstanding			
Grant year	Strike price in CHF	2016	2015
Options granted in 2007	159.00	5'550	26'235
Options granted in 2008	100.00	13'196	54'754
Options granted in 2009	150.00	32'411	53'742
Options granted in 2010 and 1.1.2011	209.00	58'484	137'699
Options granted in 2011	195.00	68'635	98'946
Options granted in 2012	236.00	114'181	147'716
Options granted in 2013 and 8.1.2014	270.00	140'533	170'755
Options granted in 2014	324.00	8'344	8'344
Options granted in 2015	340.00	1'418	1'418
Options granted in 2015	450.00	174'000	174'000
Options granted in 2015	446.00	6'127	6'127
Options granted in 2016	682.00	375'000	-
Options granted in 2016	593.00	10'110	-
Non-vested shares granted from 2011 to 2016	-	186'630	251'019
Total instruments outstanding		1'194'619	1'130'755

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

The estimated fair value of options granted, and the underlying fair value of services, is based on the Black-Scholes model, whereas the fair value of the non-vested shares granted is based on the share price at the date of grant.

Fair value of share options and shares granted in 2016, and related assumptions:

	Non-vested Options ¹⁾	Non-vested Options	Non-vested Options ²⁾	Vested op- tions	Vested shares	Non-vested shares	Non-vested shares
Date of grant	28.9.16	28.9.16	28.9.16	30.11.16	30.11.16	30.11.16	30.11.16
Fair value per option/non-vested share at measure- ment date (in CHF)	14.62	14.62		24.73	494.00	494.00	494.00
Share price (in CHF)	487.00	487.00		494.00	494.00	494.00	494.00
Exercise price (in CHF)	682.00	682.00		593.00			
Vesting conditions	6 years	5 years	6 years	none	none	3 years ³⁾	5 years ³⁾
Expected volatility	22.10%	22.10%		21.71%			
Expected term of execution	5 years	5 years	6 years	5 years			
Expected dividend ratio	4.23%	4.23%		4.20%			
Risk-free interest rate (based on Swap rates)	(0.80%)	(0.80%)		(0.66%)			
Total options/shares granted	195'000	180'000		10'110	306	20'119	34'720
Total value granted in 2016 (in thousands of CHF)	2'851	2'632	2'768	250	151	9'939	17'152
Gross amount recognized in profit or loss (in thousands of CHF)	407	446	402	250	151	3'599	4'982
Forfeitures during 2016 (in thousands of CHF)						(26)	
Net amount recognized in profit or loss (in thousands of CHF)	407	446	402	250	151	3'573	4'982
Total amount recognized in profit or loss (in thou- sands of CHF)							10'211
- recognized in personnel expenses in current year (in thousands of CHF)							9'403
- recognized in third party services in current year (in thousands of CHF)							401
- recognized in personnel expenses allocated to the year 2015 (in thousands of CHF)							407

¹⁾ Under the 23 September 2015 option plan, the Group granted equity incentives equaling the fair value of CHF 5.8m. The amount is allocated to the participants in two tranches, the first half in September 2015 and the second half in September 2016. As both parties had a common understanding of the terms and conditions and participants have begun rendering services in respect of both tranches, the Group recognizes services when received.

²⁾ Under the 28 September 2016 option plan, the Group granted equity incentives equaling the fair value of CHF 5.4m. The amount is allocated to the participants in two tranches, the first half in September 2016 and the second half in September 2017. As both parties have a common understanding of the terms and conditions and participants have begun rendering services in respect of both tranches, the Group recognizes services when received.

³⁾ Linear vesting model, with proportionate annual vesting every year.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

The applied expected volatility is determined using an average volatility that was calculated based on the average of the historic five-year volatility of the Company's stock and the longest available future implied volatility for the Company's shares/options in the market.

Typically, the Group grants shares together with options on an annual basis at the absolute discretion of the BoD. On 28 September 2016, options and on 30 November 2016, non-vested shares were granted to employees. In addition, vested options and shares were granted to members of the BoD.

4.4. Management carry program

In 2011, the Group introduced a management carry program ("MCP"), whereby a portion of the potential future performance fees ("carry pool") from investments made during a relevant investment period is allocated on a discretionary basis to the broader management teams, including members of the BoD and the Executive Committee. The Nomination & Compensation Committee and the BoD plan an allocation of around 40% of the total carry pool to the MCP scheme annually. Until 2013, the MCP grants include a vesting period of up to five years in line with the Group's overall long-term incentive schemes. From 2014, the grants include a five-year linear vesting model with proportionate annual vesting every year.

The MCP benefits will be paid in cash to the eligible employees after the vesting period and when the potential future performance fees are recognized and received by the Group. Actual values and future payments based on the MCP grants depend on the eventual future performance attributable to investments made and cannot reliably be estimated at the point of grant because they depend on numerous variable parameters and future events. As a consequence, MCP costs (associated with these MCP-related performance fees) cannot be reliably estimated. Therefore, the Group does not recognize potential future liabilities for the MCP allocations, in line with the governing accrual principle. Hence, potential future MCP payments to employees are recognized when the respective contingent rights materialize and actual performance fees are generated. In other words, payments to employees, resulting from former MCP grants, are backed by actual cash-flows from performance fees generated by underlying investment programs' performance. When MCP-related performance fees are received, the Group recognizes the resulting MCP costs as personnel expenses. Until the cash amount is paid to eligible employees, the liabilities are recognized as provisions (see note 8.1.).

4.5. Entry shares

In 2016, the Group further granted 2'779 shares to employees of the Group that commenced employment with the Group in the same year (2015: 4'261). These shares are subject to a vesting period of one year. In addition, the shares are subject to a restriction period of maximum five years, which is shortened if the employee resigns from the Group before the end of the restriction period.

4.6. Employee benefits

Defined benefit plan

The Group's defined benefit plan is the pension plan for its Swiss employees ("the pension fund"). The pension fund provides benefits for retirement, disability and surviving dependents that meet or exceed the minimum benefits required under Federal Law on Occupational Retirement, Survivors' and Disability Insurance ("BVG"), including the legal coordination charge, which is also insured. The monthly premium to fund the pension fund's benefits is split equally between employer and employees. Contributions, which vary by the age of the employees from 6-13% of the covered salary, are credited to the individual retirement savings accounts. The pension fund is responsible for capital investments and pursues an investment strategy with a prescribed investment policy. The Group assumes an average retirement age of 62 (female) and 63 (male), respectively. Upon retiring (including early and partial retirement), insured persons are entitled to a lifelong retirement pension, if employees do not choose to withdraw the entire balance of their individual retirement savings accounts or part thereof in the form of a capital payment.

The pension fund is administered by Gemini Sammelstiftung, Zurich/Switzerland, which is legally separated from the Group and is governed by a foundation board ("the foundation board"). In addition, a pension fund commission comprises two employee and two employer representatives. The duties of the foundation board, as well as the pension fund commission, are laid down in the BVG and the specific pension fund rules. They are required by law to act in the best interest of the participants and are responsible for setting certain policies (e.g. investment, contribution and indexation policies) for the pension fund. At least four times a year, the foundation board as well as the pension fund commission meet and analyze consequences and decide on adjustments in the investment strategy.

Notes to the consolidated financial statements

for the years ended 31 December 2016 and 2015

Pursuant to the BVG, additional employer and employee contributions may be imposed whenever a significant funding deficit in accordance with BVG arises. The Group feels comfortable with the investment strategy of the pension fund and does not expect a negative impact on funding arrangements or future contributions due to the pension fund's investments and investment strategy. In addition to this investment risk, the pension fund is exposed to actuarial risk as well as longevity risk, currency risk and interest rate risk.

Management pension plan

In addition to the pension plan for its Swiss employees, a defined benefit plan for Swiss management also provides retirement benefits and risk insurance for death and disability for components of remuneration in excess of the maximum insurable amount of salary under the plan described above.

Development of defined benefit obligations and assets

In thousands of Swiss francs	2016	2015
Present value of benefit obligation as of 1 January	(51'508)	(42'509)
<i>Included in profit or loss:</i>		
Current service cost (employer)	(2'866)	(2'544)
Interest expense on benefit obligation	(370)	(442)
Past service cost, curtailments, settlements, plan amendments	-	(144)
<i>Included in other comprehensive income:</i>		
Actuarial gains/(losses) on benefit obligation arising from:		
- change in demographic assumptions	3'299	(1'089)
- change in financial assumptions	(276)	(1'310)
- experience gains/(losses)	(2'286)	(1'770)
<i>Other:</i>		
Employees' contributions	(2'152)	(1'903)
Benefits paid	(417)	203
Present value of benefit obligation as of 31 December	(56'576)	(51'508)
Fair value of plan assets as of 1 January	49'781	44'365
<i>Included in profit or loss:</i>		
Interest income on plan assets	365	388
Administration cost	(98)	(89)
<i>Included in other comprehensive income:</i>		
Return on plan assets (excl. interest income)	(407)	1'514
<i>Other:</i>		
Employer's contributions	2'152	1'903
Employees' contributions	2'152	1'903
Benefits paid	417	(203)
Fair value of plan assets as of 31 December	54'362	49'781
Net defined benefit asset/(obligation) as of 31 December	(2'214)	(1'727)

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

The weighted average duration of the net defined benefit obligation is 16 years as of 31 December 2016 (2015: 14 years).

Asset allocation as of 31 December

	2016	2015
Cash	18.4%	11.8%
Public debt	10.7%	11.4%
Public equity	20.7%	22.8%
Private markets	23.7%	29.3%
Alternatives/other	26.5%	24.7%
Total	100.0%	100.0%

Principal actuarial assumptions

Assumptions underlying the values of the net defined benefit obligation at the reporting date were as follows:

Principal actuarial assumptions as of 31 December	2016	2015
Discount rate	0.60%	0.70%
Expected net return on plan assets	0.60%	0.70%
Interest rate on retirement credits	1.00%	1.20%
Average future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Mortality tables used	BVG 2015 (GT)	BVG 2010 (GT)

Sensitivity analysis

Reasonable possible changes as of the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the net defined benefit obligation by the amounts presented below:

In thousands of Swiss francs	Impact on defined benefit obligation	Impact on current service cost (employer)
Decrease of discount rate (-0.5%)	(5'050)	(434)
Increase of discount rate (+0.5%)	4'310	366
Decrease of salary increase (-0.5%)	723	85
Increase of salary increase (+0.5%)	(771)	(91)

Although the analysis above does not take into account the full distribution of cash flows expected under the defined benefit plan, it does provide an approximation of the sensitivity of the assumptions presented.

The expected employer's contributions in 2017 are estimated at CHF 2.2 million.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

5. Investments held by the company, net financial result and financial risk management

5.1. Net finance income and expense

In thousands of Swiss francs	2016	2015
Interest income	191	120
Net gains on:		
Held for trading instruments	-	1'435
Fair value through profit or loss instruments, designated	38'165	37'495
Share of results of associates (Pearl)	1'962	6'288
Gain on a bargain purchase (Pearl)	-	45'349
Other finance income	194	-
Total finance income	40'512	90'687
Interest expense	(962)	(263)
Net losses on:		
Held for trading instruments	(55)	-
Other finance expense	(1'300)	(1'464)
Net exchange differences	(591)	(7'918)
Total finance expense	(2'908)	(9'645)
Total net finance income and (expense)	37'604	81'042

The gain on a bargain purchase in 2015 was mainly a reflection of the difference between the redemption price of 108% per convertible bond and the net asset value per convertible bond at final maturity redeeming bondholders gave up, as well as the positive performance of the underlying portfolio of Pearl since the final maturity of Pearl's bonds. For further information relating to share of results in associates (Pearl) refer to notes 6. and 15.1.2.

5.2. Other operating income

In thousands of Swiss francs	2016	2015
Interest income on short-term loans	23'210	15'336
True-up interest income	1'216	1'371
Total other operating income	24'426	16'707

True-up interest income relates to interest earned on management services and organizational fees due from investors that commit into investment structures subsequent to the first closing date of the investment structure.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

5.3. Financial instruments

5.3.1. Financial instruments by category

The Group's financial assets can be classified into the respective categories as follows:

In thousands of Swiss francs	Note	31 December 2016	31 December 2015
Financial assets			
Financial assets at fair value through profit or loss			
<i>Designated upon initial recognition:</i>			
Financial investments	5.3.2.	359'225	338'162
Assets held for sale	5.3.4.	187'559	90'017
		546'784	428'179
<i>Held for trading:</i>			
Fixed deposits and marketable securities	5.3.3.	1'679	11'561
Derivative assets held for risk management ¹⁾	5.4.1.	5'172	1'708
		6'851	13'269
Loans and receivables			
Trade receivables ¹⁾	5.4.1.	160'157	64'841
Other receivables ¹⁾	5.4.1.	25'507	17'512
Fixed deposits and marketable securities	5.3.3.	31'025	-
Short-term loans	5.3.5.	708'868	581'108
Other financial assets		5'990	3'917
		931'547	667'378
Cash and cash equivalents			
Cash and cash equivalents		185'971	163'776
		185'971	163'776
Total financial assets		1'671'153	1'272'602

¹⁾ Disclosed in the line item trade and other receivables in the consolidated balance sheet.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

The Group's financial liabilities can be classified into the respective categories as follows:

In thousands of Swiss francs	Note	31 December 2016	31 December 2015
Financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative liabilities held for risk management ¹⁾	7.	1'264	7'303
Liabilities held for sale	5.3.4.	87'063	5'182
		88'327	12'485
Financial liabilities measured at amortized cost			
Trade payables ¹⁾	7.	33'960	33'311
Borrowings		-	95'000
		33'960	128'311
Total financial liabilities		122'287	140'796

¹⁾ Disclosed in the line item trade and other payables in the consolidated balance sheet.

5.3.2. Financial investments

The Group holds investments in various investment programs that it manages. These investments typically account for a stake of one percent in an investment program. Within the investment programs, the Group typically performs investment management activities for the benefit of external investors under a predetermined investment policy and receives a predetermined management fee and, where applicable, a performance fee for its services disclosed as revenues from management services, net in the consolidated income statement.

In thousands of Swiss francs	31 December 2016	31 December 2015
Balance as of 1 January	338'162	285'615
Additions	59'447	85'493
Distributions/disposals	(79'644)	(50'333)
Transfers from marketable securities and assets and liabilities held for sale	13'300	-
Change in fair value of investments held at period end	30'572	32'179
Change in fair value of investments disposed/liquidated during the period	-	(109)
Exchange differences	(2'612)	(14'683)
Balance as of end of period	359'225	338'162

Notes to the consolidated financial statements

for the years ended 31 December 2016 and 2015

As of the relevant balance sheet date, the Group held the following investments into investment programs, split into the following operating segments:

In thousands of Swiss francs	31 December 2016	31 December 2015
Private equity	193'170	207'554
Private debt	85'829	65'278
Private real estate	47'193	45'176
Private infrastructure	33'033	20'154
Total financial investments	359'225	338'162

5.3.3. Fixed deposits and marketable securities

In thousands of Swiss francs	31 December 2016	31 December 2015
Equity securities held for trading	10	9'827
Debt securities	1'669	1'734
Fixed deposits with maturities between 3 and 12 months	31'025	-
Total fixed deposits and marketable securities	32'704	11'561

5.3.4. Assets and liabilities held for sale

The Group seed finances certain early stage investment programs managed by the Group. The decision to seed finance an investment program is taken by responsible bodies defined in the Group's Rules of the Organization and of Operations ("ROO"). These investment programs typically call the seed finance to invest in assets that are comparable to the Group's investments in investment programs that it manages (see note 5.3.2.). Therefore, the underlying assets of these investment programs are typically financial assets valued at the adjusted net asset values.

Assets and liabilities of five (2015: six) investment programs are classified and presented as assets and liabilities held for sale. The assets and liabilities held for sale as of 31 December 2016 comprise private equity, private real estate as well as private debt related assets and liabilities:

In thousands of Swiss francs	31 December 2016	31 December 2015
Assets held for sale	187'559	90'017
Liabilities held for sale	(87'063)	(5'182)
Assets and liabilities held for sale, net	100'496	84'835

5.3.5. Short-term loans

Short-term loans of CHF 708.9 million (2015: CHF 581.1 million) relate to loans granted to various investment programs managed by the Group and which typically have an expected repayment date within the next twelve months. Interest on these loans is calculated at a spread above the applicable LIBOR interest rate.

Notes to the consolidated financial statements

for the years ended 31 December 2016 and 2015

5.3.6. Capital commitments

As of 31 December 2016, the Group had capital commitment contracts of CHF 483.8 million (2015: CHF 433.2 million), whereof CHF 171.7 million (2015: CHF 172.1 million) were not yet called by the relevant investment manager. The capital commitments are called over time, typically between one to five years following the subscription of the commitment. In addition, the Group may selectively enter into capital commitment contracts to bridge investments for investment programs managed by the Group and enter into capital commitments for seed capital investments into investment programs managed by the Group.

5.4. Financial risk management

The Group has exposure to the following risks arising from its holding of financial instruments:

- credit risk;
- market risk (including currency risk, interest rate risk and price risk);
- liquidity risk.

This note presents information about the Group's exposure to each of the above listed risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The BoD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BoD has established the Risk & Audit Committee ("RAC"), which is responsible for developing and monitoring the Group's risk management policies. The RAC reports regularly to the BoD on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and in the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The RAC oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The RAC is assisted in its oversight role by the Chief Risk Officer as well as by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the RAC.

5.4.1. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises typically from the Group's receivables from customers and investment securities.

(a) Trade and other receivables

In thousands of Swiss francs	31 December 2016	31 December 2015
Trade receivables	160'157	64'841
Other receivables	25'507	17'512
Prepayments	42'817	33'143
Derivative assets held for risk management	5'172	1'708
Total trade and other receivables	233'653	117'204

The increase in trade receivables mainly resulted from recognized but not yet received performance fees.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

The Group's exposure to credit risk is primarily influenced by the individual characteristics of each customer and is reviewed on a regular basis. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has less of an influence on the Group's exposure to credit risk. The majority of the customers are investment programs that are managed by the Group.

Other counterparties of the Group are typically regulated financial institutions or institutional investors with a high credit quality. In addition, the Group periodically reviews the client exposure and concentration. There is no substantial concentration of credit risk. The Group has never suffered from any material loss from its trade and other receivables. Therefore, no material allowance for individual exposures or a collective loss allowance is currently established. As of the reporting date, no material receivables were overdue.

(b) Short-term loans

In order to control the credit risk resulting from short-term loans (see note 5.3.5.) to investment programs, the Group has established a system-based loan approval process. This is supported by a risk policy framework and pre-defined approval authorities. During the loan approval process rigorous qualitative and quantitative checks are being applied to ensure a high quality of the Group's loan portfolio.

(c) Other

The Group's other credit risks arise from cash and cash equivalents and derivative assets. The surplus cash is typically transferred to the Company for cash pooling (see note 5.4.3.). For the bank deposits only independently rated parties with typically a minimum rating of "A-3" are accepted (as per Standard and Poor's short-term issue credit ratings definitions).

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In thousands of Swiss francs	Carrying amount	
	31 December 2016	31 December 2015
Cash and cash equivalents	185'941	163'761
Fixed deposits and marketable securities	32'694	1'734
Trade receivables ¹⁾	160'157	64'841
Other receivables ¹⁾	13'334	163
Derivative assets held for risk management ¹⁾	5'172	1'708
Short-term loans	708'868	581'108
Other financial assets	5'990	3'917
	1'112'156	817'232

¹⁾ Disclosed in the line item trade and other receivables in the consolidated balance sheet.

5.4.2. Market risk

Market risk is the risk that changes in market prices - such as foreign currency exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

The Group may buy and sell derivatives in order to manage certain market risks. All such transactions are carried out within the guidelines defined in the Rules of the Organization and of Operations, issued by the BoD.

(a) Currency risk

The Group is mainly exposed to currency risk on revenues, purchases, expenses, short-term loans and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. Primarily, the currency risk results from exposure in Euro (EUR), but also in US dollar (USD), British pound (GBP) and Singapore dollar (SGD). As a general guidance, the Group may selectively economically hedge certain recognized assets and liabilities. As a consequence, the Group's net balance sheet currency risk is limited to its intercompany receivables and liabilities.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rates. The Group is mainly exposed to cash flow interest rate risk with respect to its cash and cash equivalents held at banks, short-term loans (see note 5.3.5.) as well as other financial assets. Such cash flows are dependent on changes in short-term market interest rates. Due to the short-term nature and limited sensitivity, the Group does currently not manage its cash flow interest rate risk.

As of the balance sheet date the Group has no bank borrowings (2015: CHF 95 million), and maintains further credit lines with banks (see note 5.4.3.).

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of Swiss francs	2016	2015
Variable rate instruments		
Financial assets	185'941	163'761
Financial liabilities	-	(95'000)
	185'941	68'761
Fixed rate instruments		
Financial assets	714'858	585'025
	714'858	585'025

Fair value sensitivity analysis for fixed rate instruments

The Group does not designate any fixed rate financial assets or liabilities as at fair value through profit or loss, nor as available-for-sale. Therefore, changes in interest rates of fixed rate instruments would not affect profit or loss and equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for the previous period.

	Variable rate instruments	
In thousands of Swiss francs	2016	2015
Profit or loss		
50 bp increase	930	344
50 bp decrease	(930)	(344)

(c) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet at fair value through profit or loss. The majority of the Group's investments are entered into under existing investment management contracts whereby the Group invests alongside the investors in the private equity, private debt, private real estate or private infrastructure investment programs managed by the Group.

Notes to the consolidated financial statements

for the years ended 31 December 2016 and 2015

In assessing the price risk associated with the Group's investments, a volatility ratio was applied to each of its investments classified as marketable securities or financial investments. The Group used long-term data (at least 5 years) to determine the volatilities for each asset. Based on the size of the investment as a portion of the overall investment in the relevant asset class, the Group then calculated a weighted volatility for the respective asset class, summarized below:

In thousands of Swiss francs	Carrying amount/volatility			
	2016	Volatility	2015	Volatility
Marketable securities (equity securities held for trading)	10	15%	9'827	23%
Financial investments:				
Private equity	193'170	14%	207'554	12%
Private debt	85'829	7%	65'278	7%
Private real estate	47'193	12%	45'176	13%
Private infrastructure	33'033	9%	20'154	8%
Assets and liabilities held for sale	100'496	7%	84'835	7%
Total	459'731		432'824	

Based on the applied long-term volatility for the individual asset classes, the Group is exposed to the following equity price risk:

In thousands of Swiss francs	Profit or loss	
	2016	2015
Marketable securities (equity securities held for trading)	2	2'260
Financial investments:		
Private equity	27'044	24'906
Private debt	6'008	4'569
Private real estate	5'663	5'873
Private infrastructure	2'973	1'612
Assets and liabilities held for sale	7'023	6'012
Total	48'713	45'232

5.4.3. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes to the consolidated financial statements

for the years ended 31 December 2016 and 2015

In order to assess the development of its liquidity, the Group uses a cash flow forecasting tool which is integrated in the budgeting and reporting process, and assists in monitoring cash flow requirements and optimizing its cash return on investments. Cash flow forecasting is performed on a group-wide level. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. Surplus cash held by the Group's subsidiaries, over and above the balance required for working capital management, are transferred to the Company to the extent permitted by regulatory and legal provisions. The Group holds its cash in current accounts or invests it in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide head-room as determined by the above mentioned forecasts. In addition, the Group maintains the following lines of credit:

A credit overall facility of CHF 30 million that is unsecured and can be used as current account overdrafts or as fixed advances with a maturity of up to six months. Interest is payable at current market rates. The facility is subject to several debt covenants which were met throughout the current and prior year.

The Group has an additional credit facility of CHF 375 million with a syndicate of Swiss banks. This credit facility can be used as follows:

- CHF 225 million for financing of acquisitions.
- CHF 375 million, minus the credit facility amount used for acquisitions, as an overdraft facility for working capital financing of the Group's investment programs.

Interest is calculated at a spread above the applicable LIBOR. The facility is unsecured but subject to several debt covenants which were met during the current and prior year.

The following table discloses the financial liabilities with their expected maturities:

In thousands of Swiss francs		31 December 2016				
	Carrying amount	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Trade payables ¹⁾	33'960	33'960				
Derivative liabilities held for risk management ¹⁾	1'264	1'264				
Unfunded commitments	171'701	171'701				
	206'925	206'925	-	-	-	-

¹⁾ Disclosed in the line item trade and other payables in the consolidated balance sheet.

In thousands of Swiss francs		31 December 2015				
	Carrying amount	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Trade payables ¹⁾	33'311	33'311				
Derivative liabilities held for risk management ¹⁾	7'303	7'303				
Borrowings	95'000	95'000				
Unfunded commitments	172'131	172'131				
	307'745	307'745	-	-	-	-

¹⁾ Disclosed in the line item trade and other payables in the consolidated balance sheet.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

5.5. Fair value measurement

Introduction

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access to at that date. The fair value of a liability reflects its non-performance risk.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs - other than quoted prices included within level 1 - that are observable for assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table shows the fair value hierarchy of the Group's financial assets and liabilities that are measured at fair value:

In thousands of Swiss francs				31 December 2016
	Level 1	Level 2	Level 3	Total
Fixed deposits and marketable securities	1'679			1'679
Derivative assets held for risk management ¹⁾		5'172		5'172
Assets held for sale			187'559	187'559
Financial investments			359'225	359'225
Financial assets	1'679	5'172	546'784	553'635
Derivative liabilities held for risk management ²⁾		1'264		1'264
Liabilities held for sale			87'063	87'063
Financial liabilities	-	1'264	87'063	88'327

¹⁾ Disclosed in the line item trade and other receivables in the consolidated balance sheet.

²⁾ Disclosed in the line item trade and other payables in the consolidated balance sheet.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

In thousands of Swiss francs				31 December 2015
	Level 1	Level 2	Level 3	Total
Fixed deposits and marketable securities	11'561			11'561
Derivative assets held for risk management ¹⁾		1'708		1'708
Assets held for sale			90'017	90'017
Financial investments			338'162	338'162
Financial assets	11'561	1'708	428'179	441'448
Derivative liabilities held for risk management ²⁾		7'303		7'303
Liabilities held for sale			5'182	5'182
Financial liabilities	-	7'303	5'182	12'485

¹⁾ Disclosed in the line item trade and other receivables in the consolidated balance sheet.

²⁾ Disclosed in the line item trade and other payables in the consolidated balance sheet.

The fair values for cash and cash equivalents, trade and other receivables, short-term loans, trade and other payables, borrowings, and fixed deposits and are expected to approximate their carrying amounts given the short-term nature of these financial instruments.

The following tables show the reconciliation of all level 3 financial instruments in 2016 and 2015:

In thousands of Swiss francs			31 December 2016
	Financial assets	Financial liabilities	
Balance as of 1 January 2016	428'179	5'182	
Transfers from level 1	9'904	-	
Additions	229'055	88'380	
Disposals	(151'538)	(4'703)	
Change in fair value	38'165	-	
Exchange differences	(6'981)	(1'796)	
Balance as of 31 December 2016	546'784	87'063	

In thousands of Swiss francs			31 December 2015
	Financial assets	Financial liabilities	
Balance as of 1 January 2015	364'478	1'535	
Additions	115'554	3'709	
Disposals	(72'381)	-	
Change in fair value	37'495	-	
Exchange differences	(16'967)	(62)	
Balance as of 31 December 2015	428'179	5'182	

Notes to the consolidated financial statements

for the years ended 31 December 2016 and 2015

The transfer from level 1 to level 3 resulted from the Group's decision to early redeem its certificates in Partners Group Private Equity Performance Holding Limited. As there is no active market for these redeemed certificates, the determination of the fair value requires subjective assessment with varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific financial instrument. The transfer of the financial asset from level 1 to level 3 took place at the beginning of the reporting period.

There were no transfers between levels in 2015.

Financial investments and assets and liabilities held for sale

Financial investments and assets and liabilities held for sale, disclosed as level 3 financial instruments, consist of investments in investment programs that the Group manages. The Group's investments typically account for a stake of one percent in an investment program. For these investments, the determination of fair value requires subjective assessment with varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific financial instrument. In such circumstances, valuation is determined based on management's judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The Group applies control processes to ensure that the fair value of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are in accordance with IFRS 13 and determined on a reasonable basis.

Control processes include the review and approval of new investments made on behalf of investors. The Group has several investment committees. The investment selections and recommendations are made by the Specialized Investment Committees and the Global Investment Committee, supported by the Global Portfolio Strategies Committee. These committees decide whether or not new investments will be advised to the manager of the investment program. The controls also include reviews of profit and loss at regular intervals, risk monitoring and reviews of price verification procedures and models, which are used to estimate the fair value of financial instruments by senior management and personnel with relevant expertise who are independent of the trading and investment functions.

Valuation techniques

Financial investments held by the Group consist of assets and liabilities into investment programs. These investment programs are in turn invested in direct and indirect equity and debt investments. The following valuation techniques are applied by the Group to determine fair values of equity and debt investments in line with IFRS 13:

- market approach
- income approach and
- adjusted net asset value method.

Market approach

The market approach comprises valuation techniques such as market comparable companies and multiple techniques. A market comparable approach uses quoted market prices or dealer quotes for similar instruments to fair value a financial asset. A multiple approach can be used in the valuation of less liquid securities. Comparable companies and multiple techniques assume that the valuation of unquoted direct investments can be assessed by comparing performance measure multiples of similar quoted assets for which observable market prices are readily available. Comparable public companies based on industry, size, development stage, strategy, etc. have to be determined. Subsequently, the most appropriate performance measure for determining the valuation of the relevant direct investment is selected (these include but are not limited to EBITDA, price/earnings ratios for earnings or price/book ratios for book values). Trading multiples for each comparable company identified are calculated by dividing the market capitalization of the comparable company by the defined performance measure. The relevant trading multiples might be subject to adjustment for general qualitative differences such as liquidity, growth rate or quality of customer base between the valued direct investment and the comparable company set. The indicated fair value of the direct investment is determined by applying the relevant adjusted trading multiple to the identified performance measure of the valued company.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

Income approach

Within the income approach the Group primarily uses the discounted cash flow method and the capitalization model. Expected cash flow amounts are discounted to a present value at a rate of expected return that represents the time value of money and reflects the relative risks of the direct investment. Direct investments can be valued by using the “cash flow to investor” method (a debt instrument valuation), or indirectly, by deriving the enterprise value using the “free cash flow to company” method and subsequently subtracting the direct investment’s net debt in order to determine the equity value of the relevant direct investment. Expected future cash flows based on agreed investment terms or expected growth rates have to be determined. In addition and based on the current market environment, an expected return of the respective direct investment is projected. The future cash flows are discounted to the present date in order to determine the current fair value.

Adjusted net asset value method

As a combination of the market and the income approach, the adjusted net asset value method is used. Indirect investments of investment programs managed by the Group are typically valued at the indirect investments’ net asset values last reported by the indirect investments’ general partners. When the reporting date of such net asset values does not coincide with the investment programs’ reporting date, the net asset values are adjusted as a result of cash flows to/from an indirect investment between the most recently available net asset value reported and the end of the reporting period of the investment program, and further information gathered by the investment advisor during its on-going investment monitoring process. This monitoring process includes, but is not limited to, binding bid offers, non-public information on developments of portfolio companies held by indirect investments, syndicated transactions which involve such companies and the application of reporting standards by indirect investments which do not apply the principle of fair valuation.

Unobservable input factors

Where available, valuation techniques use market-observable assumptions and inputs. If such information is not available, inputs may be derived by reference to similar assets and active markets, from recent prices for comparable transactions or from other observable market data. When measuring fair value, the Group selects the non-market-observable inputs to be used in its valuation techniques based on a combination of historical experience, derivation of input levels based upon similar investment programs with observable price levels and knowledge of current market conditions and valuation approaches.

Within its valuation techniques the Group uses different unobservable input factors. Significant unobservable inputs include: EBITDA multiples (based on budgeted/forward-looking EBITDA or historical EBITDA of the issuer and EBITDA multiples of comparable listed companies for an equivalent period), discount rates, capitalization rates, price/book as well as price/earnings ratios and enterprise value/sales multiples. The investment program also considers the original transaction prices, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments, and adjusts the model as deemed necessary. Further inputs consist of external valuation appraisals and broker quotes. A significant portion of the investment programs’ direct equity investments is measured at EBITDA multiples. EBITDA multiples used show wide ranges.

The value of level 3 direct equity investments valued by using an unobservable input factor are directly affected by a change in that factor. The change in valuation of level 3 direct equity investments may vary between different direct investments of the same category as a result of individual levels of debt financing within such an investment. Level 3 direct debt investments are typically valued using a waterfall approach including different seniority levels of debt. Thus, the effect of a change in the unobservable input factor on the valuation of such investments is limited to the debt portion not covered by the enterprise value resulting from the valuation.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

Sensitivity of fair values

From a Group perspective, financial investments and assets and liabilities held for sale are typically valued at the adjusted net asset values of the investment programs. A reasonable possible change in the adjusted net asset value would have the following effects on the fair value of these investments held by the Group with changes to be recognized in profit or loss:

In thousands of Swiss francs	31 December 2016	31 December 2015
Adjusted net asset value (1% increase)	4'597	4'230

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies and different unobservable inputs, especially in the underlying investments of investment programs, could lead to different measurements of fair value. Due to the number of unobservable input factors used in the valuation of the investment programs' direct investments and the broad range, in particular concerning the EBITDA multiple, a sensitivity analysis on these underlying unobservable input factors does not result in meaningful outcomes.

6. Investments in associates

The Group accounted for investments in associates as of 31 December 2016 as summarized below:

In thousands of Swiss francs	Principal activity	Fair value	Carrying value	Ownership
Pearl Holding Limited, Guernsey ("Pearl")	Private equity investments	115'515	115'515	28%
LGT Private Equity Advisers, Liechtenstein ("LGT")	Asset management	473	473	40%
Total investments in associates			115'988	

In thousands of Swiss francs	2016	2015
Balance as of 1 January	129'440	449
Purchase of investments in associates	-	119'872
Redemption of shares (Pearl)	(13'588)	-
Share of results (Pearl)	1'962	6'288
Share of results (LGT)	3	21
Exchange differences	(1'829)	2'810
Balance as of end of period	115'988	129'440

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

Summary of financial information of the investments in associates - 100%:

In thousands of Swiss francs	Pearl Holding Limited		LGT Private Equity Advisers	
	2016	2015	2016	2015
Total assets	413'123	525'200	2'110	9'484
Total liabilities	3'075	67'387	927	8'308
Equity	410'048	457'813	1'183	1'176
Revenues	18'193	40'223	4'359	11'719
Profit/(loss) for the period	6'960	46'491	8	52

The financial information is based on unaudited financial information as of the balance sheet date as received from LGT and Pearl.

Investment in associates: Pearl Holding Limited

Pearl's investments are managed on a discretionary basis by PML, which is advised by Partners Group AG, Switzerland ("PGAG"), in accordance with an investment advisory agreement. PGAG's duties are to provide asset allocation, commercial due diligence reviews, investment and disinvestment proposals and performance monitoring. For the described services, the Group is entitled to receive administration, management and performance fees. For further information relating to Pearl refer to note 15.1 2.

Share of results of associates

The share of results of associates resulting from Pearl is disclosed in profit or loss as net finance income and expense (see note 5.1), while the share of results of associates resulting from LGT (see note 6), is disclosed as share of results of associates in the consolidated income statement. The Group assesses LGT's results as comparable to management services and as a consequence discloses the results as operating income. Pearl's results are mainly driven by distributions and changes in fair value of the underlying investments, comparable to changes in fair value of financial investments (see note 5.3.2), which are presented as net finance income and expense in the consolidated income statement (see note 5.1).

7. Trade and other payables

In thousands of Swiss francs	31 December 2016	31 December 2015
Trade payables	33'960	33'311
Goods and services received not yet invoiced	3'238	3'213
Accrued remuneration related costs	103'247	58'053
Derivative liabilities held for risk management	1'264	7'303
Accrued revenue deductions	11'872	6'399
Other payables	26'686	11'256
Total trade and other payables	180'267	119'535

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

8. Provisions and Contingencies

8.1. Provisions

In thousands of Swiss francs			2016
	MCP	Others	Total
Balance as of 1 January 2016	22'637	215	22'852
Additions	71'920	4'327	76'247
Reversed amounts (unused)	(1'738)	-	(1'738)
Amounts used	(20'054)	-	(20'054)
Exchange differences	1'182	(14)	1'168
Balance as of 31 December 2016	73'947	4'528	78'475
Current	63'962	1'219	65'181
Non-current	9'985	3'309	13'294
Balance as of 31 December 2016	73'947	4'528	78'475

The majority of provisions relates to the MCP which was introduced in 2011 (see note 4.4.).

8.2. Contingencies

The Group has contingent liabilities in respect of the ordinary course of business. It is not anticipated that any material liabilities will arise from contingent liabilities.

9. Income tax

9.1. Income tax expense

9.1.1. Recognized in profit or loss

In thousands of Swiss francs	Note	2016	2015
Current tax expense:			
Current year		78'197	40'984
Under/(over) provided in prior years		2'089	(5'065)
Total current tax expense		80'286	35'919
Deferred tax expense/(income):			
Deferred tax expense/(income), net relating to the origination and reversal of temporary differences	9.2.	(11'787)	6'024
Total deferred tax expense/(income)		(11'787)	6'024
Total income tax expense		68'499	41'943

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

9.1.2. Weighted average expected tax rate reconciliation

In thousands of Swiss francs	2016	2015
Profit before tax	626'643	437'873
Weighted average expected Group tax rate	11.08%	11.06%
Expected tax expense	69'455	48'443
Non-tax-deductible expense and non-taxable income	(3'186)	(1'165)
Applicable tax rates differing from expected rate	85	(291)
Under/(over) provided in prior years	2'089	(5'065)
Other impacts	56	21
Total income tax expense	68'499	41'943

The Group calculated a weighted average tax rate, taking into account statutory tax rates of the Company and its subsidiaries in their specific jurisdictions, and their contribution to total profit before tax.

9.2. Deferred tax assets and liabilities

Development of deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following table shows the development of deferred tax assets and deferred tax liabilities.

In thousands of Swiss francs	31 December 2016	31 December 2015
Deferred tax assets	25'769	3'809
Deferred tax liabilities	(3'657)	(5'690)
Deferred tax assets / (liabilities), net	22'112	(1'881)

In thousands of Swiss francs	2016	2015
Balance as of 1 January, net	(1'881)	3'540
Changes recognized in profit or loss	11'787	(6'024)
Changes recognized in equity	12'064	-
Changes recognized in other comprehensive income	(48)	651
Exchange differences	190	(48)
Balance of deferred tax assets / (liabilities) as of 31 December, net	22'112	(1'881)

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

Analysis of deferred tax assets and liabilities

The following table shows the gross amounts of deferred tax assets and liabilities before being offset within the same taxable entities. Movements in the significant assets and liabilities classes giving rise to temporary differences are analyzed below:

In thousands of Swiss francs							2016
	Other non-current assets	Financial investments	Employee benefit obligations	Share-based payment expenses	Remuneration	Others	Total
Balance as of 1 January 2016, net	(3'935)	(3'783)	250	4'714	-	873	(1'881)
Changes recognized in profit or loss	812	4'298	118	(2'923)	9'015	467	11'787
Changes recognized in equity	-	-	-	12'064	-	-	12'064
Changes recognized in other comprehensive income	-	-	(48)	-	-	-	(48)
Exchange differences	37	76	-	(105)	173	9	190
Balance as of 31 December 2016, net	(3'086)	591	320	13'750	9'188	1'349	22'112

In thousands of Swiss francs							2015
	Other non-current assets	Financial investments	Employee benefit obligations	Share-based payment expenses	Remuneration	Others	Total
Balance as of 1 January 2015, net	(4'634)	4'505	(334)	3'355	-	648	3'540
Changes recognized in profit or loss	596	(8'168)	(67)	1'390	-	225	(6'024)
Changes recognized in other comprehensive income	-	-	651	-	-	-	651
Exchange differences	103	(120)	-	(31)	-	-	(48)
Balance as of 31 December 2015, net	(3'935)	(3'783)	250	4'714	-	873	(1'881)

Other non-current assets

Taxable temporary differences arise between the tax bases of property and equipment as well as intangible assets and their carrying amounts in the consolidated financial statements.

Financial investments

Taxable temporary differences arise between the tax bases of financial investments and their carrying amounts (fair values with regard to the application of IAS 39) in the consolidated financial statements.

Employee benefit obligations

The Group recognizes deferred tax assets or liabilities out of the application of IAS 19 (for further information see note 4.6.).

Share-based payment expenses

Taxable temporary differences arise (in accordance with IAS 12.68A) from the recognition of share-based payment expenses (see notes 4.2. and 4.3.) in the applicable accounting period in accordance with IFRS 2, but the tax deduction based on these expenses is received in a different period; e.g. only until the options and shares are exercised or vested, typically with the measurement of the tax deduction based on the share price at the date of exercise or vesting.

Remuneration

Taxable temporary differences arise between the tax bases of remuneration related accruals and provisions and their carrying amounts in the consolidated financial statements.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

10. Property and equipment

In thousands of Swiss francs						2016
	Land	Buildings	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost						
Balance as of 1 January 2016	-	5'897	7'708	17'892	13'135	44'632
Additions	7'101	-	439	1'470	1'847	10'857
Removals	-	-	(46)	(32)	(19)	(97)
Exchange differences	221	-	(142)	(178)	(305)	(404)
Balance as of 31 December 2016	7'322	5'897	7'959	19'152	14'658	54'988
Accumulated depreciation						
Balance as of 1 January 2016	-	845	5'603	11'684	10'978	29'110
Additions	-	186	1'072	1'548	1'489	4'295
Removals	-	-	(46)	(32)	(19)	(97)
Exchange differences	-	-	(92)	(123)	(270)	(485)
Balance as of 31 December 2016	-	1'031	6'537	13'077	12'178	32'823
Carrying amount						
As of 1 January 2016	-	5'052	2'105	6'208	2'157	15'522
As of 31 December 2016	7'322	4'866	1'422	6'075	2'480	22'165
Impairment losses incurred in 2016						nil

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

In thousands of Swiss francs	2015				
	Buildings	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost					
Balance as of 1 January 2015	5'897	10'031	18'822	15'304	50'054
Additions	-	539	437	1'477	2'453
Removals	-	(2'559)	(1'078)	(3'255)	(6'892)
Exchange differences	-	(303)	(289)	(391)	(983)
Balance as of 31 December 2015	5'897	7'708	17'892	13'135	44'632
Accumulated depreciation					
Balance as of 1 January 2015	377	6'952	11'174	12'816	31'319
Additions	468	1'373	1'731	1'696	5'268
Removals	-	(2'559)	(1'078)	(3'255)	(6'892)
Exchange differences	-	(163)	(143)	(279)	(585)
Balance as of 31 December 2015	845	5'603	11'684	10'978	29'110
Carrying amount					
As of 1 January 2015	5'520	3'079	7'648	2'488	18'735
As of 31 December 2015	5'052	2'105	6'208	2'157	15'522
Impairment losses incurred in 2015					nil

Operating leases (leases as a lessee)

Non-cancellable operating leases are payable as follows:

In thousands of Swiss francs	31 December 2016	31 December 2015
Less than one year	10'254	9'456
Between one and five years	36'629	27'145
More than five years	1'725	-
Total non-cancellable operating leases	48'608	36'601

The Group classifies its office rental payments under operating leases. None of the leases include contingent rentals. During the current year, CHF 10.0 million was recognized as expenses in profit or loss in respect of operating leases (2015: CHF 9.6 million). The Group received payments of CHF 0.7 million (2015: CHF 0.7 million) from sublease agreements. The total expected future sub-lease payments from non-cancellable sub-leases as of 31 December 2016 amounts to CHF 0.1 million.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

11. Intangible assets

In thousands of Swiss francs						2016
	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
Cost						
Balance as of 1 January 2016	5'388	35'586	10'348	9'827	6'063	67'212
Additions	-	-	2'387	11'350	-	13'737
Removals	-	-	(2'530)	-	-	(2'530)
Exchange differences	(660)	(2'358)	(11)	183	-	(2'846)
Balance as of 31 December 2016	4'728	33'228	10'194	21'360	6'063	75'573
Accumulated amortization and impairment losses						
Balance as of 1 January 2016	3'122	-	8'144	5'088	4'410	20'764
Additions	909	-	1'522	4'162	613	7'206
Removals	-	-	(2'530)	-	-	(2'530)
Exchange differences	(461)	-	(11)	71	-	(401)
Balance as of 31 December 2016	3'570	-	7'125	9'321	5'023	25'039
Carrying amount						
As of 1 January 2016	2'266	35'586	2'204	4'739	1'653	46'448
As of 31 December 2016	1'158	33'228	3'069	12'039	1'040	50'534
Impairment losses incurred in 2016						nil

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

In thousands of Swiss francs						2015
	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
Cost						
Balance as of 1 January 2015	5'862	37'348	8'500	8'195	4'750	64'655
Additions	-	-	1'870	2'383	1'313	5'566
Removals	-	-	(21)	(583)	-	(604)
Exchange differences	(474)	(1'762)	(1)	(168)	-	(2'405)
Balance as of 31 December 2015	5'388	35'586	10'348	9'827	6'063	67'212
Accumulated amortization and impairment losses						
Balance as of 1 January 2015	2'354	-	6'853	3'713	3'263	16'183
Additions	890	-	1'308	1'994	1'147	5'339
Removals	-	-	(21)	(583)	-	(604)
Exchange differences	(122)	-	4	(36)	-	(154)
Balance as of 31 December 2015	3'122	-	8'144	5'088	4'410	20'764
Carrying amount						
As of 1 January 2015	3'508	37'348	1'647	4'482	1'487	48'472
As of 31 December 2015	2'266	35'586	2'204	4'739	1'653	46'448
Impairment losses incurred in 2015						nil

11.1. Placing expenses

The Group selectively uses third party placing agents for the distribution of the investment programs that the Group manages. It is common to compensate such services with a one-off payment, depending on the amount of assets placed by such third party placing agents. The amount paid is recognized as incremental cost incurred in connection with the securing of investment management revenues. Placing expenses are amortized using the straight-line method over the duration of the investment period of the relevant investment program the cost was incurred for, typically between three to five years (see note 17.17.).

11.2. Goodwill

The carrying amount of goodwill as of 31 December 2016 (CHF 33.2 million; 2015: CHF 35.6 million) has been allocated to the following cash generating units ("CGU"), which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

- Goodwill of CHF 18.1 million (2015: CHF 17.8 million) relating to the acquisition of Partners Group Real Estate LLC ("PG RE") in 2007, which was merged into Partners Group (USA) Inc. as of 1 January 2012, has been allocated to the private real estate segment.
- Goodwill of CHF 15.1 million (2015: CHF 17.8 million) relating to the acquisition of Partners Group (Italy) SGR S.p.A. in 2013 ("PG Italy"), which was merged into Partners Group (UK) Limited, as of 1 January 2016, has been allocated to the private equity segment.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

Impairment testing for CGUs containing goodwill

The recoverable amounts of the private real estate and the private equity segments were based on their value in use. The value in use was determined by discounting the future cash flows generated from the continuing use of the CGUs and was based on the following key assumptions:

- Cash flows were projected based on the actual operating results and a five-year estimate (2017–2021). Cash flows for the time thereafter were taken into account by calculating a terminal value based on the discount factor applied by the Group. No growth rate was applied for the terminal value.
- Revenues were projected based on the development of the existing business, taking into account the generation of additional business in the years 2017 to 2021.
- General expenses growth, as well as third party services growth, was considered at a constant rate of 10% p.a. (2015: 10% p.a.).
- Personnel expenses growth was considered at a constant rate of 5% p.a. (2015: 5% p.a.) plus additional personnel expenses for additional business revenues (i.e. 35% of additional revenues are expensed as additional personnel and general expenses (2015: 35%)).
- Pre-tax discount rates of 7.9% [PG RE] (2015: 6.8%), respectively 7.2% [PG Italy] (2015: 6.0%), were applied in determining the recoverable amounts of the CGU's. The Group applied market interest rates of 2.4% [PG RE] (2015: 2.2%) and 2.02% [PG Italy] (2015: 1.4%), adjusted by market risk premiums and industry weighted average beta factors.
- The impairment test resulted in a value in use higher than the carrying amount.

Management believes that any reasonable possible change in any of the key assumptions would not cause the carrying value of goodwill of the CGUs to exceed the recoverable amounts.

12. Share capital, capital management and reserves

In effective number of shares	2016	2015
Issued as of 1 January	26'700'000	26'700'000
Issued during the period	-	-
Issued as of 31 December - fully paid in	26'700'000	26'700'000

The issued share capital of the Company comprises 26'700'000 registered shares (2015: 26'700'000) at CHF 0.01 nominal value each. The shareholders are entitled to receive dividends, as declared from time to time, and are entitled to one vote per share at shareholder meetings of the Company.

Legal reserves

Legal reserves comprise the reserves which are to be maintained due to the legal requirements as indicated in the Swiss Code of Obligations. The Group's legal reserves amount to CHF 218'100 as of 31 December 2016 (31 December 2015: CHF 218'100), consisting of CHF 217'100 (31 December 2015: CHF 217'100) for legal reserves from capital contributions and of CHF 1'000 (31 December 2015: CHF 1'000) for other legal reserves.

Treasury shares

Treasury shares are recognized at cost and presented separately within equity. At the balance sheet date, the Group held 180'607 (2015: 391'524) of the Company's issued shares. The Group holds treasury shares to provide for existing share and option programs.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

Translation reserves

Translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign entities included in the consolidation.

Dividends

After the balance sheet date, the BoD proposes a dividend distribution of CHF 400.5 million (CHF 15 per share) for 2016. During the reporting period, the Company paid a dividend of CHF 277.2 million (CHF 10.50 per share) (2015: CHF 225.0 million, CHF 8.50 per share). As the Group's treasury shares were not eligible for a dividend payment, the approved dividend distribution for 2015 of CHF 280.4 million was not fully distributed.

Capital management

The BoD's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The BoD also monitors the level of dividend distributions to shareholders.

The Group may purchase its own shares on the market within the limits defined by the BoD. The timing of these purchases depends on the market price and restrictions imposed by applicable laws. Primarily, these purchases are used to cover the Group's share and option programs.

Furthermore, the Company has authorized conditional capital of CHF 40'050. The BoD is authorized to increase the share capital by up to 15% at its discretion as a result of exercised options and granting of shares.

There were no changes in the Group's approach to capital management during the year.

The Company and some of its subsidiaries are subject to minimum capital requirements prescribed by external parties (e.g. banks) and are regulated by relevant authorities in the corresponding countries. The capital requirements may depend on fix costs, expenditures, financial key ratios, net assets and assets under management. All these capital requirements have been met during 2016 and 2015.

Outstanding shares

The computation of the weighted average number of ordinary shares outstanding during the period is based on the following figures:

In effective number of shares		2016
	Shares issued	Treasury shares Shares outstanding
Balance as of 1 January 2016	26'700'000	391'524 26'308'476
Purchase of treasury shares		415'047 (415'047)
Disposal of treasury shares		(625'964) 625'964
Balance as of 31 December 2016	26'700'000	180'607 26'519'393
Weighted average number of shares outstanding during the period (360 days)		26'393'427
Shareholders above 5% (in % of shares issued)	Shares held	in %
Dr. Marcel Erni	2'673'659	10.01%
Alfred Gantner	2'673'659	10.01%
Urs Wietlisbach	2'673'659	10.01%
BlackRock Inc.	1'422'890	5.33%

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

In effective number of shares			2015
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2015	26'700'000	517'547	26'182'453
Purchase of treasury shares		843'329	(843'329)
Disposal of treasury shares		(969'352)	969'352
Balance as of 31 December 2015	26'700'000	391'524	26'308'476
Weighted average number of shares outstanding during the period (360 days)			26'416'718
Shareholders above 5% (in % of shares issued)		Shares held	in %
Dr. Marcel Erni		2'673'659	10.01%
Alfred Gantner		2'673'659	10.01%
Urs Wietlisbach		2'673'659	10.01%
BlackRock Inc.		1'406'033	5.27%

In 2015, the Group's founding partners, Dr. Marcel Erni, Alfred Gantner and Urs Wietlisbach, each entered into a derivative transaction with a third party concerning up to 4.1% of the Group's total share capital over the next five years. In 2017, each of the founding partners increased the percentage up to 5%. The transaction involves collars that expire on 17 June 2021, subject to early termination, including optional early termination by the three founding partners. This transaction does not intend any change in the size of the three founding partners' stakes in the Company during the period until maturity of the collars.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

13. Earnings per share

In Swiss francs	2016	2015
Average fair value of one ordinary share during the period	428.17	311.12
Weighted average exercise price for shares under option during the period	319.36	214.21

			2016
	Earnings per share	Profit for the period	Number of shares
Profit for the period (in thousands of Swiss francs)		558'144	
Weighted average number of ordinary shares outstanding			26'393'427
Basic earnings per share (in Swiss francs)	21.15		
Weighted average number of shares under option during the period			848'163
Number of shares that would have been issued at fair value ¹⁾			(567'593)
Diluted earnings per share (in Swiss francs)	20.92		26'673'997

¹⁾ Calculated on the basis of each individual share option grant.

			2015
	Earnings per share	Profit for the period	Number of shares
Profit for the period (in thousands of Swiss francs)		395'930	
Weighted average number of ordinary shares outstanding			26'416'718
Basic earnings per share (in Swiss francs)	14.99		
Weighted average number of shares under option during the period			965'585
Number of shares that would have been issued at fair value ¹⁾			(645'100)
Diluted earnings per share (in Swiss francs)	14.81		26'737'203

¹⁾ Calculated on the basis of each individual share option grant.

As of 31 December 2016 the Group had 1'194'619 options and non-vested shares outstanding (2015: 1'130'755). The treasury shares necessary to cover the granted non-vested shares have already been put aside in separate escrow accounts in the name of the employees. Thus, the number of treasury shares (see note 12) is already net of non-vested shares outstanding.

As of 31 December 2016, to cover the outstanding in-the-money options at the share price at year-end of CHF 477.25 (2015: CHF 361.25), net (i.e. after considering the respective strike price) 241'990 treasury shares would be necessary (2015: 284'572).

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

14. Related party transactions

The Group has related party relationships with its subsidiaries (see note 15), investments in associates (see note 6.), pension funds (see note 4.6), as well as with its management and significant shareholders and their related parties.

In 2016, investments in associates purchased services from the Group in the amount of CHF 5.1 million (2015: CHF 15.1 million).

As of 31 December 2016, loans to related parties of the Group amounted to CHF 3.9 million (2015: CHF 3.4 million) and were included in other financial assets. The loans to related parties of the Group bears interest at market related interest rates.

The Group purchased treasury shares at arm's-length from its shareholders employed by the Group as follows:

In effective number of shares	2016	2015
Purchase of treasury shares from shareholders employed by the Group	16'272	2'622
Average purchase price per share (in Swiss francs)	413.15	365.61

The Group is managed by the BoD and the Executive Committee ("ExCo") of the Company. The total personnel expenses for the BoD as well as the ExCo of the Company are included in third party services and personnel expenses (see note 4.1) and amount to:

In thousands of Swiss francs	2016	2015
BoD:		
Short-term employment benefits	2'837	2'957
Other compensation	339	345
Share-based payment expenses	800	634
Other long-term benefits (MCP)	7'737	865
Total BoD¹⁾	11'713	4'801
ExCo:		
Short-term employment benefits	10'289	8'402
Other compensation	969	827
Share-based payment expenses	401	1'700
Other long-term benefits (MCP)	13'446	2'000
Total ExCo¹⁾	25'105	12'929
Total BoD and ExCo	36'818	17'730

¹⁾ Figures above exclude other compensation elements pursuant to Art. 14 of the OaEC relating to investments made alongside investors in Partners Group's open-ended investment programs under the Group's employee investment program. In 2016, these elements amount to CHF 0.3 million (BoD) and CHF 0.0 million (ExCo). There were no such payments in 2015.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

At the relevant balance sheet date, the BoD and the ExCo were holding the following number of options, non-vested shares and shares:

Options and non-vested shares:

In effective number of options and non-vested shares	31 December 2016	31 December 2015
Board members (vested options)	38'775	32'230
Board members (non-vested options and shares)	5'365	7'271
Members of the ExCo (options and non-vested shares)	141'251	110'078
Total	185'391	149'579

Share ownership (unrestricted):

In effective number of shares	31 December 2016	31 December 2015
Board members	8'384'551	8'384'699
Members of the ExCo	1'613'851	1'637'454
Total	9'998'402	10'022'153

For further information in accordance with Art. 663c of the Swiss Code of Obligations refer to note 13 of the entity accounts of Partners Group Holding AG.

15. Subsidiaries

15.1. Changes in scope of consolidation

15.1.1. Incorporation of new Group entities

Name	Incorporation date	Principal activity
Partners Group Colorado Propco LC, Delaware (USA)	21 June 2016	Purchase and own land and property for the Group's US operations
Partners Group Client Access 10 MP Management Limited, Guernsey	2 June 2016	General Partner for a Guernsey-based investment program
Partners Group Prime Services Solutions (Philippines), Inc., Philippines	20 April 2016	Investment management services
Partners Group Finance SGD IC Limited, Guernsey	11 March 2016	Support of financing activities for the Group
Partners Group US Management II LLC, Delaware (USA)	2 March 2016	General partner for US-based investment programs
Partners Group US Investment Services LLC, Delaware (USA)	7 January 2016	Support the Group's investment activities in the region
Partners Group Cayman Management III Limited, Cayman Islands	20 October 2015	General partner for Cayman Islands-based investment programs
Partners Group Management XV Limited, Guernsey	25 June 2015	General partner for Europe-based investment programs
Partners Group Management (Scots) II LLP, Scotland	6 May 2015	General partner for Guernsey-based investment programs
Partners Group Cayman Management II Limited, Cayman Islands	27 March 2015	General partner for US-based investment programs
Partners Group Cayman Management I Limited, Cayman Islands	24 February 2015	General partner for US-based investment programs

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

15.1.2. Acquisition of subsidiary

In 2016, the Group did not acquire any subsidiaries.

In 2000 and 2006, the Group, through its fully consolidated subsidiary Pearl Management Limited, Guernsey ("PML"), entered into insurance agreements with a subsidiary of Swiss Re, a Swiss-based reinsurer, and the investment program of Pearl, to insure the repayment of the redemption amount (EUR 712.8 million) of a convertible bond issued by Pearl Holding Limited, Guernsey ("Pearl"). PML only acted as policyholder and paid certain amounts into an experience account, which served as first-level-coverage in case of a default of Pearl.

Maturity of Pearl convertible bonds

Bondholders of Pearl had the option to redeem their bonds at 108% of nominal value or convert them into shares in Pearl. 34.6% of bonds were converted into Pearl shares as of 30 September 2014. The remaining bonds were redeemed at 108% on 30 September 2014. In connection with the conversion of Pearl bonds into shares, Swiss Re provided a loan (EUR 70 million) to Pearl Access Limited, Guernsey ("PAL"), a Guernsey-based company whose shares were held by an orphan-trust (i.e. a trust without any beneficiary) under Guernsey law, in order to finance the purchase of certain Pearl bonds. The purpose of the Swiss Re loan to PAL was restricted to the purchase of Pearl bonds and subsequent conversion into Pearl shares and contained various restrictions and conditions in favor of Swiss Re.

In the first quarter of 2015, and after the relevant conditions under the insurance contract with a subsidiary of Swiss Re were satisfied, the assets held in the experience account were released to PML. At the same time, these assets were assigned to PAL. As a result, PAL was able to repay the outstanding loan provided by Swiss Re and subsequently, after fulfilling all conditions towards Swiss Re, any related security interests were released. On 4 March 2015, PML became the legal owner of the orphan-trust. As a consequence, and through its beneficiary rights, PML controlled 100% of PAL's shares and therewith PAL's 28% holding in Pearl's shares and therefore the Group has significant influence over Pearl. As a result, Pearl is presented as an investment in associates in the consolidated balance sheet (see note 6.).

The net assets of PAL acquired by the Group as of 4 March 2015 were as follows:

In thousands of Swiss francs	Fair value
Cash and cash equivalents	201
Investments in associates (Pearl)	119'872
Other current liabilities	(4)
Borrowings	(851)
Net assets acquired at fair value	119'218
Gain on a bargain purchase	(45'349)
Total purchase consideration	73'869
Cash acquired	(201)
Net cash outflow on acquisition	73'668

The gain on a bargain purchase was mainly a reflection of the difference between the redemption price of 108% per convertible bond and the net asset value per convertible bond at final maturity redeeming bondholders gave up, as well as the positive performance of the underlying portfolio of Pearl since the final maturity of Pearl's bonds. The gain on a bargain purchase is included in net finance income and expense in the consolidated income statement (see note 5.1).

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

15.1.3. Restructurings

On 16 December 2016, Partners Group (Italy) SGR S.p.A, Italy, was merged into Partners Group (UK) Limited, UK, retrospectively as of 1 January 2016.

On 30 November 2015, PAL was absorbed by PML.

15.2. Involvement with structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Such entities often have restricted activities and narrow and well-defined objectives.

Consolidated structured entities

The Group seed finances certain investment programs that the Group manages with seed financing in their early stage. The decision to seed finance an investment program is taken by responsible bodies defined in the Group's ROOs. For further details see note 5.3.4.

Unconsolidated structured entities

The fair value of financial investments, as presented in note 5.3.2., represents the Group's participation in unconsolidated investment programs.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

15.3. Subsidiaries

Details of the Group's operating subsidiaries as of the reporting date are set out below:

Name of the subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting rights held by the Group	
			31 December 2016	31 December 2015
Partners Group AG	Investment manager	Switzerland	100%	100%
Partners Group Corporate Finance AG	Corporate Finance	Switzerland	100%	100%
Partners Group Prime Services Solutions (Philippines), Inc.	Investment management services	Philippines	100%	-
Partners Group (Brazil) Investimentos Ltda.	Investment manager	Brazil	100%	100%
Partners Group (Deutschland) GmbH	Investment manager	Germany	100%	100%
Partners Group (France) SAS	Investment manager	France	100%	100%
Partners Group (Guernsey) Limited	Investment manager	Guernsey	100%	100%
Partners Group (India) Private Limited	Investment manager	India	100%	100%
Partners Group (Italy) SGR S.p.A.	Investment manager	Italy	-	100%
Partners Group (Luxembourg) S.A.	Investment manager	Luxembourg	100%	100%
Partners Group (Shanghai) Co., Ltd.	Investment manager	China	100%	100%
Partners Group (Singapore) Pte. Limited	Investment manager	Singapore	100%	100%
Partners Group (UK) Limited	Investment manager	UK	100%	100%
Partners Group (USA) Inc.	Investment manager	USA	100%	100%

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

At the end of the reporting period, the Group has other subsidiaries that typically perform management services and/or typically hold financial investments (see note 5.3.2.). The principal activities and their place of operation are summarized as follows:

Principal activity	Place of incorporation and operation	Number of subsidiaries	
		31 December 2016	31 December 2015
General partner to investment programs	Guernsey	18	17
General partner to investment programs	Scotland	3	3
General partner to investment programs	Germany	1	1
General partner to investment programs	Cayman Islands	3	3
Manager to investment vehicles	USA	2	1
Holding of land and property	USA	1	-
Investment services	USA	1	-
Manager to investment vehicles	UK	1	1
Manager to investment programs	Luxembourg	3	3
Client access management	Guernsey	1	1
Financing/treasury	Guernsey	6	5
Management services to investment programs	Guernsey	3	3

16. Subsequent events

No events took place between 31 December 2016 and 8 March 2017 that would require material adjustments to the amounts recognized in these consolidated financial statements.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

17. Summary of significant accounting policies

17.1. Basis of preparation

The consolidated financial statements are presented in Swiss francs, rounded to the nearest thousand. The figures referred to in text passages are actual figures either rounded to the nearest Swiss franc or presented in millions of Swiss francs unless otherwise stated. The statements are prepared on a historical cost basis, except for the following assets and liabilities which are stated at fair value: derivative financial instruments, assets and liabilities held for sale and financial instruments at fair value through profit or loss.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, as well as income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments concerning carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revisions and future periods, if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are described in note 2.

The BoD performed an assessment of the risks to which the Group is exposed to at its meeting on 30 November 2016. The risk management covers in particular the strategic and business risks, operational risks, financial risks (see note 5.4.) as well as reputational risks. For its assessment, the BoD has taken into consideration the internal control system designed to monitor and reduce the risks of the Group.

17.2. Changes in accounting policies

The accounting policies adopted for the year ended 31 December 2016 are consistent with those of the previous financial year, except where new or revised standards were adopted, as indicated below.

17.2.1. Amendments and interpretations effective for the first time

The following amendments and interpretations have been applied:

- "Annual Improvements to IFRSs 2012-2014 Cycle" (various standards)
- "Accounting for Acquisition of Interests in Joint Operations" (Amendments to IFRS 11)
- "Clarification of Acceptable Methods of Depreciation and Amortization" (Amendments to IAS 16 and IAS 38)

These amendments and interpretations have no significant impact on the Group's financial statements.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

17.2.2. Standards, amendments and interpretations to existing standards that are not yet effective and might be relevant to the Group, but have not been early adopted

The following new and revised standards, amendments and interpretations have been issued by the date the consolidated financial statements were authorized for issue, but are not yet effective and are not adopted early in these consolidated financial statements. Their impacts on the consolidated financial statements of the Group have not yet been systematically analyzed. The expected effects as disclosed in the table below reflect a first assessment by the Group's management.

Standard / Interpretation		Effective date	Planned adoption by the Group
New standards or interpretations			
IFRS 15, "Revenue from Contracts with Customers"	***	1 January 2018	Reporting year 2018
IFRS 9, "Financial Instruments"	***	1 January 2018	Reporting year 2018
IFRS 16, "Leases"	**	1 January 2019	Reporting year 2019
Revisions and amendments of standards and interpretations			
Disclosure Initiative (Amendments to IAS 7)	*	1 January 2017	Reporting year 2017
Annual Improvements to IFRS Standards 2014-2016 Cycle	*	1 January 2017	Reporting year 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	*	1 January 2018	Reporting year 2018
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards	*	1 January 2018	Reporting year 2018
Amendments to IFRS 12 Disclosure of Interests in Other Entities	*	1 January 2018	Reporting year 2018
Amendments to IAS 28 Investments in Associates and Joint Ventures	*	1 January 2018	Reporting year 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	*	1 January 2018	Reporting year 2018

* No significant impact is expected on the consolidated financial statements of the Group.

** The impact on the consolidated financial statements of the Group cannot yet be determined with sufficient reliability.

*** The impact on the consolidated financial statements is explained below.

IFRS 9, "Financial Instruments"

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has assessed the adoption of the new standard but does not currently anticipate significant changes to its consolidated financial statements except for disclosures.

IFRS 15, "Revenue from Contracts with Customers"

The International Accounting Standards Board has issued a new standard for the recognition of revenues that replaces existing revenue recognition guidance, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes." IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has assessed the effects of applying the new standard on its financial statements. However, the Group does not currently anticipate that IFRS 15 will significantly change the amounts recognized as revenues from management services, net.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

17.2.3. Changes in presentation

Representation of the current portion of provisions

The presentation of provisions has been changed to disclose the current portion of provisions within current liabilities. The comparative amount of CHF 20.4 million as of 31 December 2015 has been represented accordingly.

Representation of various line items

Various line items in the consolidated balance sheet and the consolidated statement of cash flows have been aggregated to make the information and disclosures more understandable.

- The previously separate disclosed line items trade receivables, other receivables, prepayments, derivative assets and other current assets are represented as trade and other receivables.
- The previously separate disclosed line items trade payables, accrued expenses and other current liabilities are disclosed as trade and other payables.
- Depreciation of property and equipment and amortization of intangible assets are disclosed in the same line item within the consolidated statement of cash flows.
- Change in fair value of assets held in experience account and change in employee benefit assets/liabilities are aggregated in the line item other non-cash items within the consolidated statement of cash flows.
- Interest received and dividends received are disclosed in the same line item within the consolidated statement of cash flows.

Comparative amounts have been represented accordingly.

17.3. Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (its "subsidiaries"). The Company controls an investee (entity) if and only if the Company has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company holds less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time when decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Whenever necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control over a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group accounts for its interest in associates using the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Based on the Group's assessment of each individual associate, the share of results of associates is disclosed as operating income if comparable to revenues from management services. If the share of results is mainly driven by distributions and changes in fair value of the underlying investments, comparable to changes in fair value of financial investments, the share of results is presented as net finance income and expense in the consolidated income statement.

17.4. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' gross segment results are reviewed regularly by the Group's BoD to assess their performance and to make decisions about resources to be allocated to the segments for which discrete financial information is available.

17.5. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swiss francs.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign currency exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Swiss francs at the foreign currency exchange rate at that date. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Swiss francs at the applicable foreign currency exchange rates for the dates the fair value was determined at.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

(c) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Swiss francs at foreign currency exchange rates applicable at the balance sheet date. The revenues and expenses as well as cash flows of foreign operations are translated to Swiss francs at average rates.

Resulting foreign currency translation differences are recognized in other comprehensive income, and presented in the translation reserves in equity. When the disposal or partial disposal of a foreign operation results in losing control or significant influence over an entity (i.e. the foreign operation) the cumulative amount in the translation reserves (related to the specific foreign operation) is reclassified to profit or loss as part of gain or loss on disposal.

(d) Applied foreign currency exchange rates

The Group applied the following currency exchange rates against the Swiss franc:

Year	Currency	Balance sheet rate	Change to prior year	Average rate	Change to prior year
2016	EUR	1.0721	-0.6%	1.0898	+2.1%
	USD	1.0161	+1.6%	0.9853	+2.4%
	GBP	1.2556	-14.9%	1.3344	-9.2%
	SGD	0.7037	-0.3%	0.7135	+1.9%

Year	Currency	Balance sheet rate	Change to prior year	Average rate	Change to prior year
2015	EUR	1.0872	-10.3%	1.0678	-12.1%
	USD	1.0002	+0.7%	0.9623	+5.1%
	GBP	1.4750	-4.8%	1.4704	-2.4%
	SGD	0.7060	-5.8%	0.7001	-3.1%

17.6. Accounting for derivative financial instruments

The Group uses derivative financial instruments to economically hedge its exposure to foreign currency exchange risks arising from financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The fair value of forward exchange contracts is the present value of the quoted forward price.

17.7. Revenue recognition

Revenue comprises the fair value for the rendering of services, net of value-added tax and rebates and after eliminating sales within the Group. No revenue is recognized if there are significant uncertainties regarding the recovery of the consideration due.

The Group is active in different businesses (see note 3.). Within the different businesses, the Group earns income for its various activities, which are further explained and outlined below:

Management fees and other revenues

The Group earns investment management fees for discretionary mandates, typically based on long-term contracts. The fees are typically based on the commitments by investors into investment structures and are typically payable on a quarterly basis in advance. On-going investment management fees including all non-performance related fees are recognized when they are earned, based on the specific contracts.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

In the process of structuring new products, the Group typically receives a fee for its services in connection with establishing investment programs and related legal and structuring work. These organizational fees are always one-off fees, which are typically received when a new investor commits into the structure. Occasionally, the Group also receives transaction fee income relating to private market transactions. These transaction fees are typically one-time occurring.

Performance fees

Performance-related revenues are only recognized once the likelihood of a potential significant future claw-back is not considered meaningful anymore in the assessment of the Group. This assessment may include inputs such as, but not limited to, distributions to investors, current net asset value, prudent estimated future cash flows, as well as the investment program's life cycle and the market environment.

Revenue deductions

The revenue deductions represent the Group's payments to third parties which introduce clients as well as rebates paid to clients. Third party payments may be one-off or also recurring, depending on individual agreements. Rebates to clients are typically for fees charged which were earned when investing through a pooling vehicle, in order to avoid double charging of fees

17.8. Other operating income

Other operating income comprises income resulting from the ordinary course of business but is not revenue from management services, net. Other operating income includes interest income on short-term loans, true-up interest income on management and organizational fees.

17.9. Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease incentives are recognized in profit or loss as an integral part of total lease expense. The majority of the Group's lease expenses result from rental agreements, especially office space rental agreements, and are classified as operating leases.

17.10. Third party services

Third party services comprise BoD compensation (non-executive) as well as legal, consulting and other fees expenses to third parties.

17.11. Net finance income and expense

Net finance income and expense comprises bank interest income and expense, dividend income, gains and losses on revaluations of financial instruments, foreign exchange gains/losses and gain on a bargain purchase.

Dividend income is recognized in profit or loss on the date the entity's right to receive payments is established, which in the case of quoted securities is typically the ex-dividend date.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

17.12. Income tax expense

Income tax expense for the period comprises current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity.

Current income tax relates to the expected taxes payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to taxes payable in respect of previous periods.

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences between the tax basis of assets and liabilities and their carrying amounts included in the consolidated financial statements. The following temporary differences are not considered in accounting for deferred taxes: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that their reversal is not probable in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

17.13. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits held with banks. Bank overdrafts are shown within borrowings in current liabilities of the consolidated balance sheet.

17.14. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment losses.

17.15. Assets and liabilities held for sale

The Group may seed capital into investment programs that the Group typically manages with the objective to provide initial scale and facilitate marketing of the investment programs to third-party investors. For these assets and liabilities held for sale, the Group is actively seeking to reduce its share in seed financed investment programs by recycling capital back into cash or by diluting.

Those investment programs deemed to be controlled under IFRS 10 are classified as held for sale and are presented in the separate balance sheet line items assets held for sale and liabilities held for sale. Such assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Investments that are subsequently disposed of or diluted, such that the Group is no longer deemed to have control under IFRS 10, will subsequently be re-classified to investments at fair value through profit or loss and presented as financial investments in the consolidated balance sheet.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

17.16. Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss in the financial period in which they are incurred.

Depreciation of property and equipment is calculated using the straight-line method to allocate the cost of each asset, minus its residual value, over its estimated useful life, as follows:

- Buildings 30–50 years
- Interior fittings 5–10 years
- Office furniture 5 years
- Equipment and IT fittings 3 years

Major renovations are depreciated over the remaining estimated useful life of the related asset or to the date of the next major renovation, whichever is sooner. Land is not depreciated.

The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 17.19.).

Gains and losses on disposals of property and equipment are determined by comparing proceeds with the carrying amount and are included in profit or loss.

17.17. Intangible assets

(a) Client contracts

Client contracts, which the Group acquired and which are recognized as intangible assets, have definite useful lives. Such intangible assets are carried at cost less accumulated amortization and impairment losses.

(b) Goodwill

Goodwill arises upon the acquisition of subsidiaries and is included in intangible assets.

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the total consideration transferred; plus
- the recognized amount of any non-controlling interest in the acquiree; plus - if the business combination is achieved in stages - the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (typically fair value) of the identifiable assets acquired and liabilities (including contingent liabilities) assumed.

When the excess is negative, a gain on a bargain purchase is recognized immediately in net finance income and expense in the consolidated income statement.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortized but tested annually for impairment.

(c) Software

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Software recognized as an asset is carried at cost less accumulated amortization and impairment losses.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

(d) Placing expenses

In the course of its business, the Group selectively uses placing agents to place some of its investment programs. The cost paid to such placing agents in relation to the amount placed is recognized as an asset in accordance with IAS 18 IE §14 b) (iii), since such expenses represent incremental costs, which are directly attributable to securing an investment management contract.

(e) Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases future economic benefits embodied in the intangible asset to which it relates. All other subsequent expenditure is expensed in profit or loss as incurred.

(f) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of intangible assets unless such life is indefinite. Goodwill and other intangible assets with an indefinite useful life are tested at least annually for impairment as of the balance sheet date. Intangible assets with a determinable useful life are amortized from the date that they are available for use.

The estimated useful life of intangible assets is as follows:

• Goodwill	indefinite
• Software	3–5 years
• Placing expenses	3–5 years
• Client contracts	3–5 years
• Other intangible assets	3–10 years

17.18. Investments

The Group classifies its investments into the following categories:

- financial assets at fair value through profit or loss and;
- loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivative financial instruments are also categorized as held for trading. Financial instruments may be designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market and in respect of which there is no intention of trading. They are included in current assets (trade and other receivables, see note 5.4.1.; short-term loan", see note 5.3.5.), except for amounts with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets (other financial assets).

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

(c) Recognition and measurement

Purchases and sales of investments are recognized on the settlement date – the date on which the financial asset is delivered to the entity that purchases it. Investments are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in profit or loss in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset (including unlisted securities) is not active, the Group establishes fair values by using various valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances. For further explanations in connection with the determination of fair value please refer to note 5.5.

17.19. Impairment of assets

(a) Financial assets (including receivables)

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. Financial assets are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the assets, and that the loss event had a negative effect on the estimated future cash flows of these assets that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline of its fair value below its cost is an objective evidence of impairment.

The Group considers evidence of impairment for receivables both at the level of a specific receivable, as well as at a collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that may have been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between their carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). For the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Notes to the consolidated financial statements

for the years ended 31 December 2016 and 2015

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

17.20. Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been rendered in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost.

17.21. Provisions

Provisions are recognized when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

17.22. Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all benefits to employees relating to employee services in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as personnel expenses in the consolidated income statement when due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans specify an amount of pension benefit that an employee will receive on retirement, typically dependent on one or more factors such as age, years of service and compensation. The benefits paid to employees in Switzerland qualify as a defined benefit plan.

The Group's net obligation/asset in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. When the actuarial calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Notes to the consolidated financial statements for the years ended 31 December 2016 and 2015

Remeasurements of the net defined benefit obligation/asset, which comprise actuarial gains and losses the return on plan assets (excluding interest) and the effect on the asset ceiling (if any excluding interest) are recognized immediately in the consolidated statement of comprehensive income. The Group determines the net interest expense/income on the net defined benefit obligation/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit obligation/asset, taking into account any changes in the net defined benefit obligation/asset during the period as a result of contributions and benefit payments. Net interest expense/income and other expenses related to defined benefit plans are recognized in profit or loss.

(b) Share-based payment transactions

The fair value at grant date of share-based payment awards granted to employees is recognized as personnel expenses in the consolidated income statement with a corresponding increase in equity, over the period until the employees unconditionally become entitled to the awards. The amount recognized as personnel expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as personnel expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards without vesting conditions, the fair value at grant date of the share-based payment is measured and immediately expensed in profit or loss to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

17.23. Share capital

(a) Ordinary shares

Ordinary shares are classified as equity since the shares are non-redeemable and any dividends are discretionary.

(b) Issuance of new shares

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

(c) Repurchase of share capital and options

Where any Group company purchases the Company's issued shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

(d) Distribution of dividends

The distribution of dividends to the Company's shareholders is recognized as a liability in the consolidated financial statements when the dividends are approved by the Company's shareholders.

Index to the financial statements of Partners Group Holding AG and report of the auditors

1. Report of the auditors on the financial statements of Partners Group Holding AG	127
---	------------

2. Financial statements of Partners Group Holding AG:

– Income statement for the years ended 31 December 2016 and 2015	130
– Balance sheet as of 31 December 2016 and 2015	131
– Notes to the financial statements for the years ended 31 December 2016 and 2015	132

3. Proposal by the Board of Directors of Partners Group Holding AG for the appropriation of available earnings as of 31 December 2016	140
--	------------

Report of the auditors on the financial statements of Partners Group Holding AG



Statutory Auditor's Report

To the General Meeting of Partners Group Holding AG, Baar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Partners Group Holding AG, which comprise the balance sheet as at 31 December 2016, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 130 to 140) for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Report of the auditors on the financial statements of Partners Group Holding AG



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report of the auditors on the financial statements of Partners Group Holding AG



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Christoph Gröbli
Licensed Audit Expert
Auditor in Charge

Thomas Dorst
Licensed Audit Expert

Zurich, 8 March 2017

Income statement of Partners Group Holding AG

for the years ended 31 December 2016 and 2015

In thousands of Swiss francs	Note	2016	2015
Dividend income		428'398	322'584
Revaluation gains on financial investments		-	1'127
Other finance income	2	49'569	41'914
Total income		477'967	365'625
Third party services		(1'196)	(1'272)
General and administrative expenses		(1'378)	(1'339)
Travel and representation expenses		(114)	(106)
Finance expense	3	(70'580)	(69'126)
Profit before tax		404'699	293'782
Direct taxes		(1'200)	(1'895)
Profit for the period		403'499	291'887

Balance sheet of Partners Group Holding AG

as of 31 December 2016 and 2015

In thousands of Swiss francs	Note	31 December 2016	31 December 2015
Assets			
Cash and cash equivalents		75'085	86'702
Trade receivables		-	3'347
Other current receivables	4	406'277	228'278
Deferred expenses and accrued income		13	1'121
Total current assets		481'375	319'448
Financial assets	5	4'317	4'693
Participations	6	1'118'372	860'483
Total non-current assets		1'122'689	865'176
Total assets		1'604'064	1'184'624
Liabilities and equity			
Liabilities			
Current interest-bearing liabilities to subsidiaries		595'088	367'718
Other current liabilities	7	8'006	2'949
Total current liabilities		603'094	370'667
Provisions	8	1'158	1'288
Total non-current liabilities		1'158	1'288
Total liabilities		604'252	371'955
Equity			
Share capital		267	267
Legal capital reserves			
Legal reserves from capital contributions		217	217
Legal retained earnings			
Legal reserves		1	1
Voluntary retained earnings			
Results carried forward		668'812	654'099
Profit for the period		403'499	291'887
Treasury shares	9	(72'984)	(133'802)
Total equity		999'812	812'669
Total liabilities and equity		1'604'064	1'184'624

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2016 and 2015

1. Accounting principles

The financial statements have been established in accordance with the accounting, presentation and valuation principles of the Swiss Code of Obligations.

Partners Group Holding AG ("the Company") is domiciled in Switzerland. The address of the Company's registered office is Zugerstrasse 57, 6341 Baar-Zug, Switzerland.

Marketable Securities

Marketable securities include investments in equity securities with a quoted market price in an active market.

Receivables and liabilities

Receivables from and liabilities to subsidiaries are denominated in the local currency of the respective subsidiary and are presented on a net basis for each counterparty.

Financial assets

Financial assets include long-term loans. Loans granted in foreign currencies are translated to Swiss francs at foreign currency exchange rates applicable at the balance sheet date.

Participations

The Company formally assessed for the first time if the group valuation principle can be applied under the new accounting rules applicable for the reporting year 2015. Such assessment led to the conclusion that the conditions for the application of the Group valuation principle are met for all participations (see note 6).

Treasury shares

Treasury shares are recognized at acquisition cost, deducted from equity at the time of acquisition and presented separately within equity. In case of a disposal of treasury shares, the gain or loss is recognized in the income statement as "other finance income" or "finance expense". The treasury shares are valued at the lower of transaction or market price.

2. Other finance income

In thousands of Swiss francs	2016	2015
Interest income	1'359	1'507
Foreign exchange gains	25'878	15'265
Gain on treasury shares transactions	22'332	25'142
Total other finance income	49'569	41'914

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2016 and 2015

3. Finance expense

In thousands of Swiss francs	2016	2015
Interest expense	(4'433)	(2'809)
Foreign exchange losses	(24'325)	(18'875)
Loss on treasury shares transactions	(41'373)	(46'891)
Other finance expense	(449)	(551)
Total finance expense	(70'580)	(69'126)

4. Other current receivables

In thousands of Swiss francs	31 December 2016	31 December 2015
Other current receivables		
Third parties	54	78
Subsidiaries	406'223	228'200
Total other current receivables	406'277	228'278

5. Financial assets

In thousands of Swiss francs	31 December 2016	31 December 2015
Loans to subsidiaries	4'288	4'349
Loans to employees	-	315
Other financial assets	29	29
Total financial assets	4'317	4'693

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2016 and 2015

6. Participations

	Domicile	Ownership and voting interest	
		31 December 2016	31 December 2015
Partners Group AG	Switzerland	100%	100%
Partners Group Corporate Finance AG	Switzerland	100%	100%
Partners Group (Deutschland) GmbH	Germany	100%	100%
Partners Group Management (Deutschland) GmbH	Germany	100%	100%
Partners Group (Luxembourg) S.A.	Luxembourg	100%	100%
Partners Group Management I S.à r.l.	Luxembourg	100%	100%
Partners Group Management II S.à r.l.	Luxembourg	100%	100%
Partners Group Management III S.à r.l.	Luxembourg	100%	100%
Partners Group (France) SAS	France	100%	100%
Partners Group (Brazil) Investimentos Ltda.	Brazil	100%	100%
Partners Group (USA) Inc.	USA	100%	100%
Partners Group Colorado Propco, LLC	USA	100%	-
Partners Group (Singapore) Pte. Limited	Singapore	100%	100%
Partners Group (Shanghai) Co., Limited	China	100%	100%
Partners Group (India) Private Limited	India	100%	100%
Partners Group Prime Services Solutions (Philippines), Inc.	Philippines	100%	-
Partners Group (UK) Limited	UK	100%	100%
Partners Group (UK) Management Limited	UK	100%	100%
Partners Group Cayman Management I Limited	Cayman Islands	100%	100%
Partners Group Cayman Management II Limited	Cayman Islands	100%	100%
Partners Group Cayman Management III Limited	Cayman Islands	100%	100%
Partners Group (Guernsey) Limited	Guernsey	100%	100%
Pearl Management Limited	Guernsey	100%	100%
Penta Management Limited	Guernsey	100%	100%
Princess Management Limited	Guernsey	100%	100%
Partners Group Management Limited	Guernsey	100%	100%
Partners Group Management II Limited	Guernsey	100%	100%
Partners Group Management III Limited	Guernsey	100%	100%
Partners Group Management IV Limited	Guernsey	100%	100%
Partners Group Management V Limited	Guernsey	100%	100%
Partners Group Management VI Limited	Guernsey	100%	100%
Partners Group Management VII Limited	Guernsey	100%	100%
Partners Group Management VIII Limited	Guernsey	100%	100%

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2016 and 2015

6. Participations (continued)

	Domicile	Ownership and voting interest	
		31 December 2016	31 December 2015
Partners Group Management IX Limited	Guernsey	100%	100%
Partners Group Management X Limited	Guernsey	100%	100%
Partners Group Management XI Limited	Guernsey	100%	100%
Partners Group Management XII Limited	Guernsey	100%	100%
Partners Group Management XIII Limited	Guernsey	100%	100%
Partners Group Management XIV Limited	Guernsey	100%	100%
Partners Group Management XV Limited	Guernsey	100%	100%
Partners Group Client Access Management I Limited	Guernsey	100%	100%
Partners Group Access Finance Limited	Guernsey	100%	100%
Partners Group Client Access 10 MP Management Limited	Guernsey	100%	-
Partners Group Finance ICC Limited	Guernsey	100%	100%
Partners Group Finance CHF IC Limited	Guernsey	100%	100%
Partners Group Finance USD IC Limited	Guernsey	100%	100%
Partners Group Finance EUR IC Limited	Guernsey	100%	100%
Partners Group Finance GBP IC Limited	Guernsey	100%	100%
Partners Group Finance SGD IC Limited	Guernsey	100%	-
Partners Group Private Equity Performance Holding Limited	Guernsey	100%	100%
LGT Private Equity Advisers AG	Liechtenstein	40%	40%

7. Other current liabilities

In thousands of Swiss francs	31 December 2016	31 December 2015
Accrued audit expenses	174	96
Other accrued expenses	5'936	35
Tax liabilities	1'557	1'972
Sundry liabilities	339	846
Total other current liabilities	8'006	2'949

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2016 and 2015

8. Provisions

In thousands of Swiss francs	31 December 2016	31 December 2015
Provisions for compensation to board members		
Option grants	1'083	882
Management carry program	70	379
Social security expenses on management carry program	5	27
Total provisions	1'158	1'288

9. Treasury shares

	Number of shares	Weighted average price	Total value
		In Swiss francs	In thousands of Swiss francs
Balance as of 1 January 2015	517'547	230.96	119'534
Purchase of treasury shares	843'329	321.95	271'512
Disposal of treasury shares	(969'352)	265.38	(257'244)
Balance as of 31 December 2015	391'524	341.75	133'802
Purchase of treasury shares	415'047	399.65	165'871
Disposal of treasury shares	(625'964)	362.14	(226'689)
Balance as of 31 December 2016	180'607	404.10	72'984

The Company has 1'194'619 (31 December 2015: 1'130'755) outstanding employee options and non-vested shares which will vest over the next 10 years (see also note 4.3 of the consolidated financial statements).

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2016 and 2015

10. Share and option grants to members of the Board of Directors and the Executive Committee

In Swiss francs	2016			2015		
	Number of instruments	Weighted average price	Total value	Number of instruments	Weighted average price	Total value
Board of Directors						
Shares	1'116	494.00	551'304	1'075	372.25	400'169
Options	10'110	24.73	250'020	7'545	31.09	234'574
Executive Committee						
Shares	811	494.00	400'634	538	372.25	200'271
Options	51'000	14.62	745'620	45'000	16.82	756'900

11. Commitments and contingent liabilities

In thousands of Swiss francs	31 December 2016	31 December 2015
Guarantees for subsidiaries	405'000	425'000

The Company and certain subsidiaries maintain the following lines of credit as of 31 December 2016 (see note 5.4.3 of the consolidated financial statements):

- CHF 30 million
- CHF 375 million

The amounts drawn by subsidiaries are guaranteed by the Company.

The credit facility agreement for the CHF 375 million credit line with a syndicate of Swiss banks refers to a maximum amount of such guarantees, limited to 110% of the overall drawn advances. As of 31 December 2016 there are no outstanding drawn by a subsidiary (2015: CHF 95 million).

12. Shareholders above 5%

	31 December 2016	31 December 2015
Dr. Marcel Erni	10.01%	10.01%
Alfred Gantner	10.01%	10.01%
Urs Wietlisbach	10.01%	10.01%
BlackRock, Inc.	5.33%	5.27%

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2016 and 2015

13. Share and option holdings by members of the Board of Directors and the Executive Committee

Number of shares and options	31 December 2016		
	Share ownership	Non-vested shares	Options
Board of Directors			
Dr. Peter Wuffli, Chairman	10'000	-	18'479
Dr. Charles Dallara, Vice Chairman	2'728	3'360	6'000
Dr. Marcel Erni	2'673'659	-	-
Michelle Felman ¹⁾	102	-	2'022
Alfred Gantner	2'673'659	-	-
Steffen Meister	350'540	135	1'350
Grace del Rosario-Castaño	102	-	3'554
Dr. Eric Strutz	102	-	9'240
Patrick Ward	-	-	-
Urs Wietlisbach	2'673'659	-	-
Executive Committee			
André Frei, Co-Chief Executive Officer	61'037	744	34'500
Christoph Rubeli, Co-Chief Executive Officer	538'361	744	2'500
Claude Angéloz	283'496	504	1'300
Andreas Baumann	10'435	800	5'340
René Biner	38'841	584	840
Felix Haldner	369'023	504	4'300
Andreas Knecht, Chief Operating Officer and General Counsel	2'916	1'489	38'100
Marlis Morin	16'282	1'003	1'700
Stefan Näf	129'893	584	5'700
Dr. Stephan Schäli	95'056	584	1'700
Dr. Michael Studer	29'015	1'027	34'900
Dr. Cyrill Wipfli, Chief Financial Officer	39'496	504	1'300
Total	9'998'402	12'566	172'825

¹⁾ member of the Board of Directors since 11 May 2016

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2016 and 2015

13. Share and option holdings by members of the Board of Directors and the Executive Committee (continued)

Number of shares and options		31 December 2015	
	Share ownership	Non-vested shares	Options
Board of Directors			
Dr. Peter Wuffli, Chairman	10'000	-	16'470
Dr. Charles Dallara, Vice Chairman	1'817	3'661	6'000
Dr. Marcel Erni	2'673'659	-	-
Alfred Gantner	2'673'659	-	-
Steffen Meister	351'905	270	4'350
Grace del Rosario-Castaño ¹⁾	-	-	1'532
Dr. Eric Strutz	-	-	7'218
Patrick Ward	-	-	-
Urs Wietlisbach	2'673'659	-	-
Executive Committee			
André Frei, Co-Chief Executive Officer	66'376	1'105	17'500
Christoph Rubeli, Co-Chief Executive Officer	540'501	1'105	2'500
Claude Angéloz	287'346	745	1'300
Andreas Baumann	10'101	1'134	5'340
René Biner	46'176	865	1'700
Felix Haldner	368'782	745	11'100
Andreas Knecht, Chief Operating Officer and General Counsel	2'295	1'705	23'100
Marlis Morin	16'011	1'134	3'700
Stefan Näf	129'612	865	5'700
Dr. Stephan Schäli	94'775	865	1'700
Dr. Michael Studer	28'224	1'225	20'900
Dr. Cyrill Wipfli, Chief Financial Officer	47'255	745	3'300
Total	10'022'153	16'169	133'410

¹⁾ member of the Board of Directors since 13 May 2015

14. Full-time employees

The Company did not have any employees in the reporting year, or in the previous year.

Proposal by the Board of Directors of Partners Group Holding AG for the appropriation of available earnings as of 31 December 2016

In thousands of Swiss francs	31 December 2016
Profit for the period	403'499
Results carried forward	668'812
Total voluntary retained earnings available for appropriation	1'072'311
Proposal by the Board of Directors to the Annual General Meeting of shareholders:	
To be distributed to shareholders	(400'500)
To be carried forward	671'811

Compensation Report

Dear clients, business partners and fellow shareholders,

As Chairwoman of the Nomination & Compensation Committee of the Board, I am pleased to present you with Partners Group's Compensation Report, covering the year ended 31 December 2016. In this report, the Nomination & Compensation Committee outlines the philosophy and principles behind Partners Group's compensation structure and discloses the compensation paid to the members of the Executive Committee and Board for the fiscal year 2016.



2016 performance

In 2016, we continued to realize potential in private markets and expanded our global investment platform to over 900 employees across 19 offices worldwide. This expansion has enabled us to further raise investment capacity and transact on more assets with value creation potential, while also remaining disciplined in a market environment that continues to be characterized by elevated valuations. In 2016, we invested a record amount in attractive corporate, real estate and infrastructure assets on behalf of our clients. These successful investment activities have generated significant performance fee potential for the firm, its shareholders and its employees over the mid to long term.

We also received significant new commitments from our global client base across all private markets asset classes, providing us with the capital needed to transact on the most attractive opportunities in the market.

2016 performance

Platform

Investment activity	EUR 11.7 billion
New client commitments	EUR +9.2 billion
2016 year-end AuM	EUR 54.2 billion
AuM growth	+18%

Financials

Revenues	+57%
Performance fees	~5x
EBITDA	+63%
IFRS profit	+41%

The firm's 2016 financials were equally strong: revenues and EBITDA increased by 57% and 63% compared to the previous period to CHF 973 million and CHF 601 million, respectively. Revenues from performance fees amounted to CHF 294 million in 2016, compared to CHF 64 million in 2015. Clients remain the principal beneficiaries of the returns generated, as this increase in revenues from performance fees was a result of consistently strong performance in a number of mature client portfolios. The EBITDA margin increased modestly and amounted to 62%, in line with our margin target. IFRS profit increased by 41%, standing at CHF 558 million for the period.

Despite the strong financial performance achieved throughout 2016, the cash and equity compensation paid to the Executive Committee (see section 5) and Board (see section 6) increased only moderately and mainly due to a higher variable compensation. The Executive Committee and select members of the Board, though, participated in the significant increase in future performance fee potential as a result of the firm's investment activities in 2016. The total compensation of the Executive Committee and the Board remained within the total maximum compensation approved by shareholders for the respective periods.

Year-on-year change of compensation (2015 vs. 2016)

	ExCo	Board
Cash & equity securities	+7%	+5%
Performance fee entitlements (MCP)	+121%	+65%

Pay for performance

The Nomination & Compensation Committee assesses the performance of executives based on whether group- and department-level objectives were achieved during the

Compensation Report

year. The degree to which the firm, its teams and individual professionals have exceeded or missed these measurable objectives provides an overall rating and serves as an input for the nomination and compensation review at year-end. In this 2016 Compensation Report, the firm has included a more comprehensive breakdown of the group- and department-level objectives (see section 3).

Compensation framework review: introducing caps on executive compensation

Though the general philosophy behind our compensation policy has remained unchanged, we undertake periodic reviews of our compensation structure and make adjustments as necessary in order to ensure that the interests of employees, clients, shareholders and other stakeholders remain best aligned.

In 2016, no structural amendments were made to the existing compensation system, which generally places a strong emphasis on longer-term compensation components. However, according to industry best practice, this year the firm introduced a cap on variable compensation for Executive Committee members. This applies to all variable compensation components the firm can determine the value of at grant date. As such, the following compensation components are included in the cap: bonus payments, the share-only Employee Participation Plan (EPP), the option-only Management Incentive Plan (MIP) and other compensation such as pension benefits. The only variable incentive which is not subject to the cap is the performance fee-related Management Carry Plan (MCP), as the latter is linked to investment outcomes which depend on many variables and are impossible to predict over the typical timeframe of 8-12 years between the time MCP is awarded and the time the full payout is received. Nonetheless, the MCP is capped by the maximum compensation budget approved at the shareholder Annual General Meeting.

According to the newly introduced cap, the aggregate amount of the variable compensation components mentioned above cannot be more than 3x an executive's base compensation in a given year.

The firm has introduced a compensation cap, whereby variable compensation, excluding the MCP, cannot be more than 3x an executive's base compensation in a given year.

Further aligning the interests of shareholders and Board members

In addition, in 2016, the firm awarded a one-time allocation of Partners Group Holding AG shares to select independent members of the Board of Directors. The shares allocated must be held for the entire duration of a Board mandate and are designed to further align the interests of independent Board members with those of shareholders. The value of this one-off share grant amounted to CHF 50'000 per member.

2017 compensation outlook unchanged

The 2017 compensation framework for senior management members will remain the same as the 2016 framework. As a private markets investment manager, we value our long-term approach to investing, since it enables us to optimize value creation for all stakeholders. We value a similar long-term approach when it comes to employee compensation. Based on this commitment, the general philosophy behind Partners Group's compensation policy remains unchanged.

The Nomination & Compensation Committee is convinced that the firm's compensation system can attract and retain highly competent and entrepreneurial individuals that share Partners Group's values. The talents we seek are expected to support the firm's aspiration to be a respected and admired leader in its field and to shape its industry through thought leadership and innovation.

2017 Annual General Meeting (AGM)

The Nomination & Compensation Committee prepared the proposal for the separate binding votes on the Board and Executive Committee compensation that will be held at our AGM in 2017. Shareholders will be asked to approve the total maximum amount of Board compensation for the period between the 2017 AGM and the 2018 AGM, as well as the total maximum amount of Executive Committee compensation for the fiscal year 2018.

On behalf of Partners Group and the Nomination & Compensation Committee, I would like to thank you for your continued trust and support.

Yours sincerely,

Grace del Rosario - Castaño

Grace del Rosario-Castaño, Chairwoman of the Nomination & Compensation Committee

Compensation Report

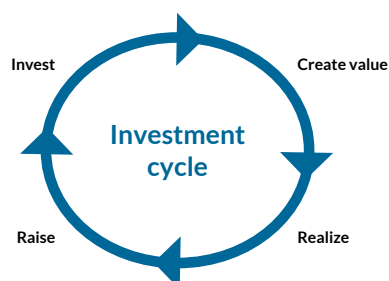
1. Compensation philosophy

Aligning compensation with the firm's strategy

Partners Group's compensation framework supports the firm's business strategy and promotes a corporate culture that contributes to the company's sustained success, while adhering to its vision and values. The philosophy behind the compensation framework is based on the firm's aim of providing clients and their beneficiaries with superior and sustainable investment performance on a mid- to long-term basis.

Our key target is to realize the full development potential of the companies, real estate and infrastructure assets we invest in on behalf of our clients. Active value creation is a core element of meeting the return expectations of our clients. Once our value creation objectives have been achieved during the holding period, we aim to realize returns for our investors by selling our interest in the asset. Simultaneously, we seek new capital to conduct new investments and, in turn, create value in these.

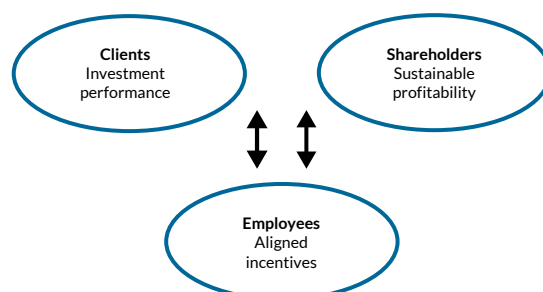
Exhibit 1: Partners Group's investment cycle



Creating a win-win situation

In order to best combine the interests of clients and shareholders with those of the firm's employees, Partners Group's compensation framework includes significant long-term incentive components which allow the firm and its employees to participate in investment success alongside clients.

Exhibit 2: Aligning the interests of clients, shareholders and employees



Clients

We actively listen to our clients to understand their needs and build trusted, long-term relationships. Our aim is to provide tailored private markets portfolio solutions that enable them to achieve superior investment performance and benefit from market-leading client servicing. Clients honor their trust through continued commitments to Partners Group's investment vehicles.

Shareholders

We strive for attractive financial returns and for a premium valuation to honor our shareholders' long-term confidence in our firm. Partners and employees hold a significant ownership in Partners Group and thus are aligned with external shareholders' interests.

Employees

We attract talented individuals who are committed to our purpose and values and help them to develop so that they perform at their best. Together we create a demanding and rewarding environment throughout our firm. Senior professionals are incentivized to participate in delivering superior investment performance to clients through their eligibility for compensation derived from the future performance fees earned by Partners Group's investments. The compensation framework provides an attractive long-term wealth creation opportunity for high-performing professionals and reflects Partners Group's integrated approach, which draws compensation awards from a blend of performance fee pools across different asset classes (equity, real estate, debt and infrastructure) or investment strategies (directs, secondaries and integrated).

Compensation Report

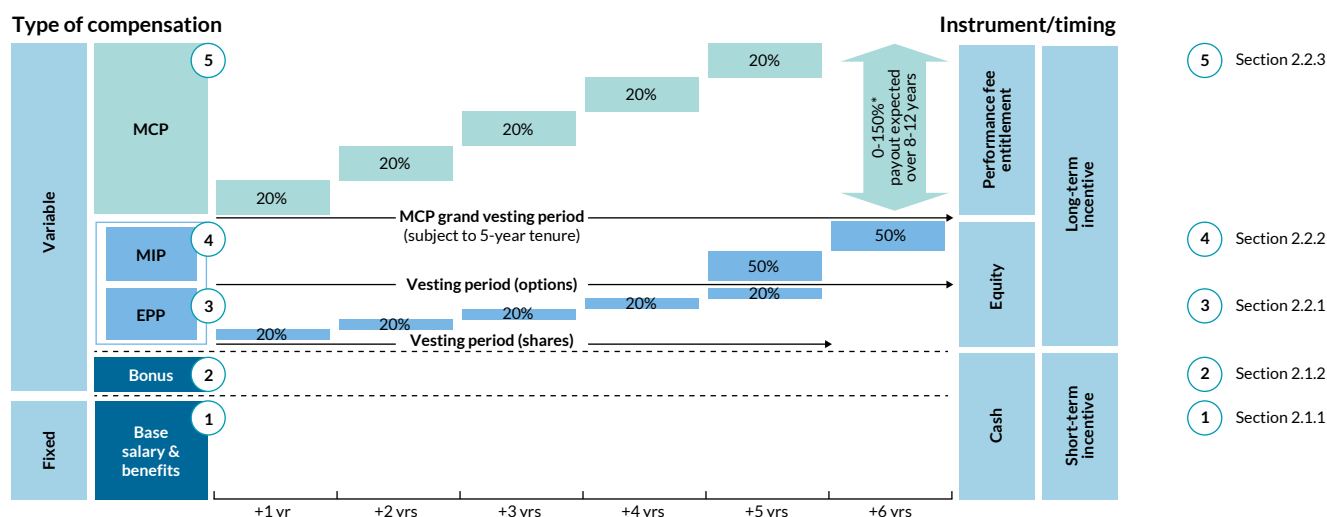
2. Compensation components

Partners Group's compensation framework is structured around short-term and long-term compensation components that are weighted differently in the overall compensation package depending on the function, level of experience and contribution of an individual employee, among other factors. Partners Group uses the long- and short-term compensation components outlined in the table below and explained in more detail in the remainder of this section:

Time	Components	Type
Short-term incentives (STI)	Base salary & benefits	Fixed
	Bonus	Variable
Long-term incentives (LTI)	Employee Participation Plan (EPP)	
	Management Incentive Plan (MIP)	
	Management Carry Plan (MCP)	

With an increasing level of seniority, a larger part of the total compensation package is variable and tied to long vesting periods. This is intended to ensure strong alignment of the interests of employees with those of clients and shareholders.

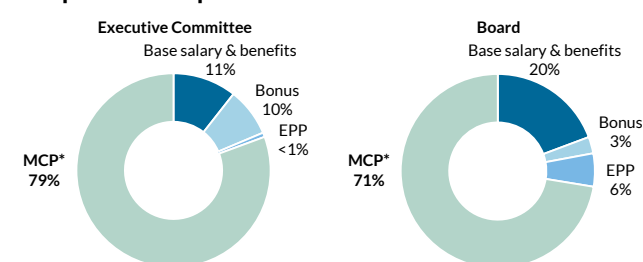
Exhibit 3: Compensation components overview



*While MCP grants vest linearly over a period of five years, the actual MCP payout (i.e. "cash-on-cash") received by the individual professional depends on the performance of the underlying investments in the given grant year and materializes over the next 8-12 years. The actual payout can be higher than the originally anticipated nominal amount in the case of consistent investment performance above underlying assumptions, or lower than the originally anticipated nominal amount in the case of lower investment performance. In the worst case scenario it can be zero.

By overweighting long-term compensation components (EPP, MIP and MCP), Partners Group's compensation framework should encourage responsible and sustainable decision-making on the part of the Board and Executive Committee and discourage short-term risk-taking. Exhibit 4 shows the tilt towards such components in the total compensation of the Executive Committee and Board.

Exhibit 4: 2016 Executive Committee and Board compensation split



*Figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2016.

Compensation Report

2.1. Short-term incentives (STI)

2.1.1. Base salary & benefits

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 paid on a monthly basis and reviewed annually.

The primary purpose of benefits such as pension and insurance plans is to establish a level of security for employees and their dependents with regard to the major economic risks of sickness, accident, disability, death and retirement. The level and scope of pension and insurance benefits provided is country-specific and influenced by local market practice and regulations.

2.1.2. Bonus

The bonus payment is a variable short-term cash incentive. It is awarded at year-end based on the financial bonus pool budget set by the Nomination & Compensation Committee. This budget considers the overall success of the firm in the respective year, and specifically the development of the company's year-end EBITDA relative to its target, as well as the realized performance fees which are not allocated to the Management Carry Program (see section 2.2.3). 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. The criteria for evaluating individual employees are discussed in greater detail in section 3.2. Employees are typically notified of their bonus at year-end and receive bonus payments the following February.

2.2. Long-term incentives (LTI)

2.2.1. Employee Participation Plan (EPP)

Partners Group has a long-term history of granting equity incentives to its professionals. These are awarded at year-end through its Employee Participation Plan (EPP). This plan aims to align employee interests with those of external shareholders. The 2016 EPP was a shares-only plan for the firm's employees.

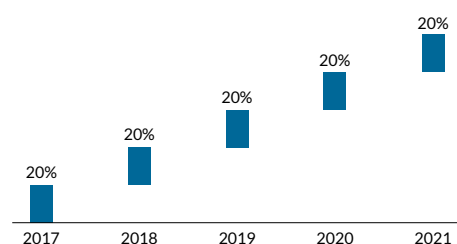
Link to strategy

Combined, Partners and employees of Partners Group are significant shareholders of the firm and hold over 40% of the total share capital outstanding. This ensures that the interests of the firm's employees are strongly aligned with those of external shareholders and means employees are focused on creating long-term sustainable value and profitability. The EPP further strengthens the alignment of these interests and fosters long-term thinking and actions while discouraging short-term risk taking. In turn, this should support the firm's financial success to the benefit of all stakeholders.

Vesting parameters

The vesting of the 2016 EPP grants for senior professionals follows a linear model, with proportionate annual vesting every year for a five-year period following the award and contingent on their continued employment with Partners Group.

Exhibit 5: 2016 EPP vesting parameters (shares) for senior professionals



The vesting parameters of EPP incentives are stringent. Any holder of unvested equity securities who leaves the firm has the obligation to render his or her unvested interest back to the company. Further information on Partners Group's equity incentive plan can be found in section 4 of the notes to the consolidated financial statements included in the 2016 Annual Report.

Dilution

There has been no dilution of Partners Group's share capital since the IPO in March 2006, as the firm holds treasury shares to provide shares for existing equity incentive programs. Also, the treasury shares necessary to cover the granted non-vested shares have already been purchased by the firm.

2.2.2. Management Incentive Plan (MIP)

In 2015, next to the existing share-only Employee Participation Plan (EPP), the Board introduced a long-term option-only plan, the Management Incentive Plan (MIP). The MIP targets select members of the current Executive Committee as well as a few select individuals in the senior management team who have significantly contributed to the firm's success in the past and who have the potential to do so in the future. The latter are expected to represent the next generation of leaders in the firm. The MIP is by invitation only and intends to reward a small number of senior professionals with smaller shareholdings compared to their more senior colleagues.

Link to strategy

The MIP aims to significantly strengthen the alignment of senior employees' interests with those of shareholders and promote a culture of entrepreneurship. This, in turn, should foster the firm's business activities and long-term financial success.

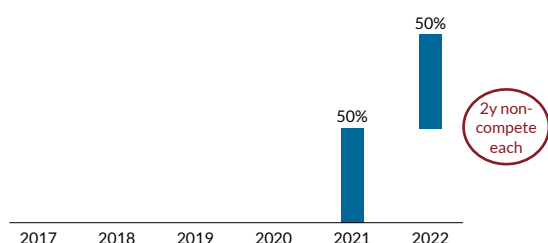
Compensation Report

It should also give participants the opportunity to build a substantial equity ownership in the firm which ultimately should serve as a material commitment and retention tool.

Vesting parameters

The vesting of the 2016 MIP option grants for senior management follows a five-year (50% of grant) and six-year (50% of grant) cliff-vesting model and features a strike price set 40% above the share price when granted. In addition, the plan includes a two-year non-compete post-vesting agreement.

Exhibit 6: General MIP vesting parameters (options) for senior professionals



Any holder of unvested equity securities leaving the firm has the obligation to render his or her unvested interest back to the company. Further information can be found in section 4 of the notes to the consolidated financial statements included in the 2016 Annual Report.

2.2.3. Management Carry Plan (MCP)

In 2010, Partners Group launched a dedicated performance fee-related compensation program, the Management Carry Plan (MCP), whereby a percentage of the potential future performance fees from investments is allocated to senior professionals. The MCP was designed as a long-term incentive plan which aligns the rewards for the firm's professionals with investment performance and the firm's overall financial success.

Over 70% of the Executive Committee and Board members' total compensation is represented by MCP. It can take 8-12 years from the point of MCP allocation until the most significant part of the actual payout from MCP is received.

Link to strategy

Partners Group aims to provide clients and their beneficiaries with superior and sustainable investment performance on a mid- to long-term basis. Investment professionals across the firm seek out those investment opportunities which offer the best relative value in the prevailing market conditions in order to generate attractive returns for clients.

The MCP is linked to investment success and is the largest potential contributor to wealth creation for senior professionals. The link between the plan and the firm's strategy is straightforward: if value creation in clients' portfolios is strong, investment performance for clients should also be strong, resulting in a higher amount of performance fees, of which senior professionals receive a predefined pro-rata stake. On the other hand, should there be limited value creation in client portfolios during the holding period of an investment, senior professionals receive a significantly lower payment (or nothing at all) from their pro-rata stake in potential performance fees.

The majority of senior executives receive an MCP grant from the general global private markets pool. This performance fee sharing across different business departments promotes Partners Group's integrated investment approach, according to which every professional is incentivized to contribute to investments in every asset class, and not solely in the asset class or function they primarily focus on.

How the MCP works

At the end of every year, MCP participants are granted the right to receive a certain percentage of future performance fees from the investments made during this respective year. Participants in the 2016 MCP were granted the right to receive a pro-rata stake of the future potential performance fees from investments made between Q4 2015 and Q3 2016 ("2016 MCP"). MCP grants represent a percentage of the potential future performance fees from investments allocated to professionals, expressed in US dollars, using expected base case performance assumptions.

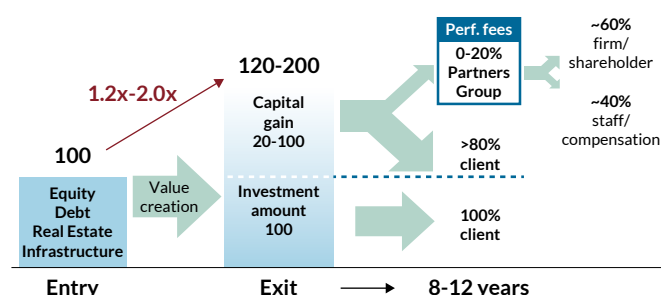
Typically, MCP awards are paid out to recipients once investments from the relevant MCP period have been realized (exited) and the hurdle rate agreed with the firm's clients has been cleared (i.e. the client has already achieved a certain predefined minimum return, typically 8% p.a.). This means it normally takes 8-12 years from the point of MCP grant until the full payout is received.

Investment outcomes depend on many variables and are impossible to precisely predict over such a long timeframe. For this reason, the final cash figures paid to recipients can

Compensation Report

vary substantially between zero in a worst case scenario and an amount higher than anticipated in the case of strong outperformance against the investment case originally underwritten. An illustrative example of how performance fees are shared between clients, the firm and professionals is shown below:

Exhibit 7: Performance allocation between clients, the firm and staff (illustrative example)



“Worst case”: should no performance fees be generated from investments made in 2016, due to an investment performance resulting in returns lower than predefined hurdle rates, then there will be no MCP payments to professionals or to the firm.

“Base case”: any scenario better than the “worst” case assumes that performance fees will be generated in the future. ~40% of each US dollar in performance fees earned from investments made in 2016 is paid out to 2016 MCP plan participants. The firm and its shareholders receive the remaining ~60%.

It is important to note that Partners Group's clients will, in any scenario, be the principal beneficiaries of the returns generated in the underlying private markets portfolios.

Strong correlation between the amount and quality of investments and MCP grants to the team

There is a strong correlation between the performance fee potential and the total amount invested as well as the quality of investments made in a given year. Both factors influence the generation of future performance fees and therefore the total potential amount of MCP distributable to the team.

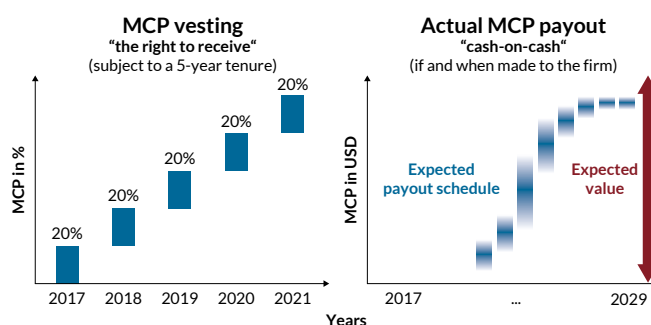
With regard to the investment amount, generally, a year with a higher investment amount leads to a higher amount of potential MCP. In contrast, a year with a lower investment amount leads to a lower amount of potential MCP. With regard to the quality of investments, the firm's investment teams focus on the most attractive opportunities in the prevailing market conditions and on value creation potential within the firm's investments. Assuring investment quality is of utmost importance as low-quality investments can destroy MCP potential. As a result,

the overall MCP is designed to seek the balance between the amount invested and the level of quality. This balance enables the firm and its professionals to realize full return potential for their clients and should generate the optimum level of future performance fees for the firm, its shareholder and its professionals.

Vesting parameters

MCP vesting parameters and actual cash payments to employees can deviate in terms of timing and nominal amount. With regard to the timing, while the MCP grants vest linearly over a period of five years, subject to a minimum five-year tenure for employees, the actual MCP amount received by the individual professional depends on the performance of the underlying investments in the given grant year and materializes over the next 8-12 years. With regard to the amount, the actual US dollar payout received by the individual professional after 8-12 years can be higher than the originally anticipated nominal amount in the case of consistent investment performance above underlying assumptions, or lower than the originally anticipated nominal amount in the case of lower investment performance. In the worst case scenario it can be zero.

Exhibit 8: Vesting of MCP grants vs. actual MCP payments



If an employee leaves Partners Group, all of his/her unvested MCP grants are returned to the company, thereby encouraging employees to remain with the firm over the long term.

Example

An employee with relevant tenure was granted a USD 10'000 performance fee entitlement from the 2016 MCP at year-end and decides to leave the firm two years later (i.e. in 2018). This means that 2 x 20% (40% in total) of his/her right to receive this 2016 MCP grant has vested, although nothing has been paid out yet. As a result, the employee is entitled to receive USD 4'000 of the anticipated value of USD 10'000. However, MCP awards can typically only be paid out to recipients once the investments are realized. It can take approximately 8-12 years from the point

Compensation Report

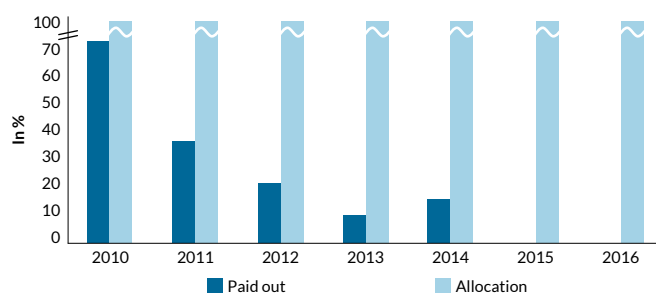
of MCP grant until full payouts are received, depending on the timing of the exit of the underlying investment. Investment outcomes depend on many variables and are impossible to predict over such a long timeframe. For this reason, the actual amount of the 40% vested right to receive MCP can substantially vary between zero in a worst-case scenario and an amount higher than anticipated (USD >4'000) in the case of stronger than expected outperformance. In any case, the employee will only receive 40% of whatever the original 2016 MCP grant pays out.

Payouts received from MCP grants to-date

The underlying portfolios which have determined MCP pools since 2010 are performing at or above plan. These pools are still in their value creation phase and have therefore not yet generated substantial performance fees and payouts.

The actual payout to professionals has been less than the grant value employees received between 2010 and 2016. Between 2010 and 2016, actual payout amounts have gradually increased in line with the maturity of the underlying portfolios. More mature MCP pools (2010-2012) have paid out a higher proportion of their original grants than MCP pools which were set up more recently (2013-2016). Exhibit 9 shows the percentage of actual MCP payout for each MCP grant pool since 2010.

Exhibit 9: Total MCP payouts since 2010 vs. allocation



Note: payments as of 31 December 2016, including estimated payouts for May 2017.

2.3. Prospective vs. retrospective voting

With the introduction of the Ordinance against Excessive Compensation in listed joint stock companies ("OaEC") of the Swiss Federal Council, new rules on corporate governance were issued that have a direct impact on executive management, shareholders and independent proxies. One of these rules gave companies the choice of introducing either a retrospective or a prospective voting system, or a combination of the two.

According to Partners Group's articles of association, each year shareholders must approve the Board's proposals for the maximum total compensation paid to the Board for the period

until the next Annual General Meeting, as well as the maximum total compensation paid to the Executive Committee for the following fiscal year. Our shareholders have therefore agreed to a prospective voting system for short-term and long-term compensation components. The effectiveness of this voting system is reviewed on an annual basis.

We believe a prospective voting system provides the necessary legal security with respect to certain short-term compensation components for the Board and Executive Committee (particularly with regard to base salaries). We also believe that a prospective voting mechanism is favorable for our largest and most long-term variable compensation component, the MCP. Due to the significant payout bandwidth of MCP allocations, we base our future payout assumptions on different scenarios (high-, base- and worst-case). Each scenario is built on certain assumptions and quantifies the expected future payout. Given the fact that budget requests at AGMs require shareholder approval, we request approval of MCP compensation budgets which take all cases into account, including the unlikely event of a high-case scenario. Due to the fact that the anticipated payout is many years ahead, neither a retrospective nor a prospective voting system would provide complete budget accuracy. For the sake of simplicity, consistency and comparability, we therefore decided to vote prospectively on the total compensation budgets at the shareholder AGM.

Compensation Report

3. Linking pay to individual performance

3.1. Compensation principles

When making compensation decisions, Partners Group's Nomination & Compensation Committee follows these guiding principles, which apply to all employees:

- **Compensation follows contribution:** Partners Group has a unique business model and operates as one global firm, albeit with differentiated business lines and functions. Therefore, the main drivers for the variable compensation elements in the firm's compensation framework are relative to individual and team performance and contributions, as well as to Partners Group's overall achievements.
- **Equal opportunity and non-discrimination:** Partners Group is an equal opportunity employer and does not discriminate against employees on the basis of age, gender, nationality, or any other basis that is inconsistent with our guiding values. The firm is committed to a "pay for performance" and "fair pay" policy and also systematically conducts equal pay analyses across departments and regions.
- **Compensation is no substitute for talent development:** as in any investment firm, compensation is an important pillar of governance and leadership. It is, however, no substitute for a caring culture, for non-material ways of recognizing individual achievements and for helping the development of the firm's human capital.

3.2. Individual performance measurement

Partners Group's compensation system is designed to honor 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 with a greater focus on investment-, client-, operations- and service-related activities or on introducing new business initiatives. The degree to which an individual has achieved these goals provides an overall rating and serves as an input for the nomination and compensation review at year-end.

3.2.1. PDP, PPP and Performance Summary

Partners Group cascades group- and department level targets down to individuals through its Personal Planning Process (PPP). Individual development is evaluated qualitatively meanwhile through the firm's Personal Development Process (PDP), a

360° feedback program. The Performance Summary evaluates individual performance based on quantitative and qualitative output, quality of work, team contribution, integrated business-building and corporate matters.

PPP

The PPP is a goal-setting and measurement system used to better plan an individual's work priorities throughout the year and to evaluate individual performance. Group-level goals are set in January and broken down into departmental goals, team goals and individual goals. An interim assessment of progress is conducted mid-year, while full-year achievements are measured in a year-end review.

PDP

The PDP is a 360° feedback process that focuses on the personal development of employees over time and feeds into the Performance Summary assessment. The dimensions measured are qualitative and place particular emphasis on leadership capabilities within the firm's senior management team, in line with the firm's Charter.

Performance Summary

The Performance Summary measures the overall performance of an individual according to the dimensions listed in Exhibit 10. Each individual is rated from (4) to (1) according to his/her performance in each field, with each rating representing the following: (4) overachieved goals, (3) achieved goals, (2) achieved part of the goals and (1) underperformed.

Exhibit 10: Performance Summary

What we value	Observed behavior
Productivity/output	Fulfillment of quantitative and qualitative goals
Quality of work	Accuracy; best practice work quality
Team contribution	Measurements of special efforts and accomplishments in the team
Integrated business building	Contribution to support other businesses
Corporate matters	Compliance & other corporate matters

Depending on the function, level and responsibility of a professional, and on the average Performance Summary weighting they receive, their variable compensation can either be adjusted to the positive, to the negative or remain neutral relative to their peers.

Compensation Report

The PPP, PDP and Performance Summary serve as inputs for the Executive Committee and Board in their nomination and compensation review at year-end and set the framework for compensation discussions. However, overall compensation bandwidths set by this framework are not intended to be applied in a purely systematic manner. Senior management applies an appropriate degree of discretion according to a “judgment supersedes” formula where warranted. This discretion considers factors which may not have been sufficiently reflected by the Performance Summary (e.g. operational or business impact through special assignments or cross-departmental efforts).

3.2.2. Bonus-malus system

Compensation for senior professionals is also subject to “malus” and “clawback” rules. This means that the Nomination & Compensation Committee and the Board, respectively, may decide not to pay any unpaid or unvested incentive compensation (malus) or seek to recover incentive compensation that has been paid in the past where the pay-out has been proven to conflict with applicable laws and regulations.

3.3. Measuring company and executive performance

Each professional at Partners Group will be measured against his or her Performance Summary sheet (Exhibit 10). This is also the case when evaluating Co-CEOs in order to ensure they are paid for performance.

A comprehensive breakdown of the measures assessed by the Nomination & Compensation Committee for each of the group- and department-level objectives is shown in Exhibit 11. For the performance assessment of Co-CEOs, group-level objectives have a stronger weight than department-level objectives as clear responsibilities are delegated to the respective department heads.

The rating obtained is not intended to be fully applied in a fully systematic manner. The Nomination & Compensation Committee can exercise its judgment and apply an appropriate degree of discretion, considering factors and achievements which may not be reflected in the overarching Group performance assessment measures. A detailed description of Executive Committee compensation in 2016 is provided in section 5.

Exhibit 11: Group- and department-level performance measures

Group-level	Focus	Objectives
Investment platform (Raise; invest; create value; realize)	Co-CEOs	<ul style="list-style-type: none"> Achieve sustainable growth of investment capacity Create long-term value in portfolio assets Generate attractive returns for clients Ensure sufficient commitment capacity from clients
Financials (EBITDA development; EBITDA margin; recurring revenue margin; return on equity)		<ul style="list-style-type: none"> Focus on a sustainable growth in EBITDA Maintain EBITDA margin target Maintain recurring revenue margin Achieve return on equity target
Partners Group Charter		<ul style="list-style-type: none"> Foster an entrepreneurial partnership culture as described in the Charter Develop talented individuals who are committed to our purpose
Department-level	Focus	Objectives
Investments	Business Department Heads	<ul style="list-style-type: none"> Achieve asset class-specific investment goals Meet asset class-specific return targets
Clients		<ul style="list-style-type: none"> Extend client coverage (regional and type of investors) Achieve fundraising goals (mandates, flagship programs and strategic partnerships)
Services		<ul style="list-style-type: none"> Provide best-in-class client servicing Contribute to our PRIMERA* platform to the benefit of investments, clients & employees

*PRIMERA is our proprietary private markets database.

Compensation Report

4. Compensation governance

4.1. Legal framework

The Swiss Code of Obligations as well as the Corporate Governance Guidelines of the SIX Swiss Exchange require listed companies to disclose information about the compensation of members of the Board and Executive Committee, about their equity participation in the firm and about any loans made to them. This Annual Report fulfills that requirement. In addition, this Annual Report is in line with the principles of the Swiss Code of Best Practice for Corporate Governance of the Swiss Business Federation (economiesuisse).

4.2. Compensation decision-making authorities

Compensation allocation is an important and challenging governance and leadership task. As such, Partners Group's Board assigns the Nomination & Compensation Committee with the task of carrying out a systematic process on an annual basis. The Committee has combined responsibilities for "nomination" and "compensation" proposals, as both are an integral and closely linked part of a typical compensation consideration. The nomination process ensures the assessment and nomination of individuals based on their contribution to the firm's success as well as on their potential for development, while the compensation process ensures the respective adjustments to compensation based on functions, responsibilities and performance. The combination of the nomination and compensation processes into one committee should ensure a seamless transition between a professional's development and compensation.

The Nomination & Compensation Committee fulfills the duties set out for it in the firm's articles of association. In particular, the Committee oversees the firm's compensation structure in order to ensure adherence to Partners Group's strategy, culture and to recognized best practices. It reviews compensation proposals by the Executive Committee to ensure they comply with determined principles and performance criteria and evaluates their consistency with the firm's values, such as "fair pay" and "pay for performance". It advises and supports the Board and the Executive Committee with regard to firm-wide promotions, leadership development measures and succession planning. It submits nomination and compensation motions and recommendations to the Board and is also responsible for the preparation of this Compensation Report.

4.3. Committee members

As of 31 December 2016, the members of the Nomination & Compensation Committee were Grace del Rosario-Castaño (Chair), Steffen Meister and Dr. Peter Wuffli. According to the independency criteria outlined in our Corporate Governance Report (section 3), Grace del Rosario-Castaño and Dr. Peter Wuffli are independent members and Steffen Meister is an executive member. While the constitution of the Nomination & Compensation Committee, together with its independent Chair, make it an independent Committee overall, it also receives a more comprehensive insight into the firm through the membership of an executive Board member. All members were elected by shareholders for a one-year tenure with the possibility of re-election.

4.4. Committee meetings held in 2016

In the first quarter of a fiscal year, the Nomination & Compensation Committee agrees on and proposes the Compensation Report to the Board. Overall, the Committee held three formal meetings in 2016.

The Committee typically meets in the first half of every year to set the framework and provide guidelines for the overall compensation strategy and promotions for that year. Specifically, it confirms the overall financial budget for the base and variable compensation components for the current year, as well as the salary increases for the subsequent year based on overall financial budgets approved by the Board. It also confirms overall budgets for variable compensation components (EPP, MIP and MCP), and defines guidelines for the allocation of these plans. In doing so, it takes the overall budget and forecast for the current and following year into consideration, along with the progress of Partners Group's investment activities. The proposal for Executive Committee and Board member compensation is made within the bounds of the compensation budget proposed at the relevant shareholder AGM.

Once these overarching parameters have been defined, the Executive Committee and business department heads prepare suggestions for individual allocations from the overall budget and define the candidates for promotion. These proposals are then presented to the Nomination & Compensation Committee for further discussion in the second meeting in the fourth quarter of every year. In this meeting, the Nomination & Compensation Committee reviews the overall compensation and promotion schedule and makes a final proposal to the full Board for final ratification. Partner- and Managing Director-level promotions and compensation are ratified individually. Budget and compensation authorities are summarized below.

Compensation Report

Exhibit 12: Budget and compensation authorities

Budget	Proposal	Approval
Board of Directors, Executive Committee (cash, EPP, MIP, MCP)	NCC	Board of Directors*
Group-level budget (cash, EPP, MIP, MCP)		Board of Directors
Department-level allocation (cash, EPP, MIP, MCP)	Delegate and Co-CEOs	NCC ratifies
Compensation	Proposal	Approval
Chairman of the Board of Directors	Chair of the NCC	Board of Directors
Members of the Board of Directors	NCC	
Co-CEOs		
Executive Committee, Global Executive Board	Delegate and Co-CEOs	NCC reviews, Board of Directors ratifies
Other professionals	Department Heads, Line Managers	Executive Committee

* Subject to shareholder AGM approval.

Compensation Report

5. 2016 Executive Committee compensation

The Executive Committee's performance is assessed by the Board. The annual compensation of the members of the Executive Committee, except for the Co-CEOs, is proposed by the Delegate of the Board together with the Co-CEOs and reviewed by the Nomination & Compensation Committee and ratified by the Board, respectively. The Co-CEOs' compensation is proposed by the Nomination & Compensation Committee and approved by the Board. All proposals relating to the compensation of the Executive Committee are subject to the approval of shareholders at the AGM.

5.1. 2016 performance assessment

The Nomination & Compensation Committee reviewed the 2016 performance target of the Co-CEOs and other Executive Committee members against their individual 2016 group- and department-level objectives.

The weighting attributed to the performance of the firm, business division achievements and functional performance indicators varies depending on an Executive Committee member's role within the firm. The degree to which an individual has achieved his or her group-level objectives, coupled with an assessment of performance against department-level objectives, provides an overall performance rating (a detailed description of the individual performance assessment is given in section 3). This sets the framework within which the Nomination & Compensation Committee can exercise its judgment for Executive Committee members' annual remuneration and ensures the latter are paid for performance. Exhibit 13 provides an overview of the group- and department-level performance indicators and assessment against 2016 results and achievements for the Co-CEOs.

Exhibit 13: Performance assessment of the Co-CEOs

Group-level	Focus	Results	Assessment against targets		
			Lower	On plan	Higher
Investment platform					
Raise		• EUR 9.2 billion (target: EUR 8-9 billion)	<div><div></div><div></div><div></div></div>		
Invest		• USD 11.7 billion (2015: USD 9.7 billion); more invested and target investment returns maintained	<div><div></div><div></div><div></div></div>		
Create value		• Value creation in private equity: +14% revenue and +15% EBITDA growth*	<div><div></div><div></div><div></div></div>		
Realize		• CHF 294 million in performance fees; an increase compared to 2015 (CHF 64 million)	<div><div></div><div></div><div></div></div>		
Financials					
EBITDA development		• +63% ; ahead of revenue development	<div><div></div><div></div><div></div></div>		
EBITDA margin		• 62%; in line with ~60% target EBITDA margin	<div><div></div><div></div><div></div></div>		
Recurring revenue margin		• 1.11%; in-line with our long-term average	<div><div></div><div></div><div></div></div>		
Return on equity		• 40%; goal of ~35% return on equity	<div><div></div><div></div><div></div></div>		
Culture					
Partners Group Charter		• Fostered a culture of entrepreneurship and compliance	<div><div></div><div></div><div></div></div>		
Department-level	Focus	Main achievements	Assessment against targets		
			Lower	On plan	Higher
Investments		• Invested more capital than originally planned; all asset classes contributed to this target • Underwrote transactions at pre-defined return targets	<div><div></div><div></div><div></div></div>		
Clients		• Continued to extend client coverage regionally and drive innovation in the industry • Advanced the firm's global offering through the creation of new programs that cater to specific client investment needs	<div><div></div><div></div><div></div></div>		
Services		• Delivered state-of-the-art service catalogue • Increased scale of our PRIMERA** platform • Ensured solid operations and enabled cross-departmental collaboration	<div><div></div><div></div><div></div></div>		

* Value creation in 2016 across all active non-listed private equity direct investments acquired before 31 December 2015.

** PRIMERA is our proprietary private markets database.

Compensation Report

5.2. Compensation in 2016

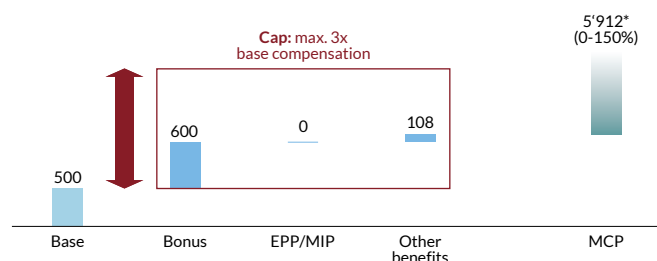
2016 was another successful year for Partners Group. Despite the strong financial performance of the firm, the cash and equity compensation paid to the Executive Committee increased only moderately, in line with the firm's compensation principles, which reward the firm's professionals via long-term incentives. Long-term compensation components, such as the MCP, increased broadly in line with the substantial performance fee potential created during the year.

Introducing caps on variable compensation

In line with industry best practice, this year the firm introduced caps on the variable compensation for the Co-CEOs and Executive Committee members. This applies to all variable compensation components the firm can determine the value of at grant date. As such, the cap includes the following components: bonus payments, the share-only Employee Participation Plan (EPP), the option-only Management Incentive Plan (MIP) and other compensation. The only variable incentive which is not subject to the cap is the performance-fee related Management Carry Plan (MCP), as the latter is linked to investment outcomes which depend on many variables and are impossible to predict over the typical timeframe of 8-12 years between the time MCP is awarded and the time the full payout is received.

According to the newly introduced compensation cap, the aggregate amount of the variable compensation components mentioned above cannot be more than 3x an executive's base compensation in a given year. Exhibit 14 shows how the cap affects the total compensation of the firm's Co-CEOs.

Exhibit 14: Introduction of a cap on 2016 variable compensation for André Frei, Co-CEO

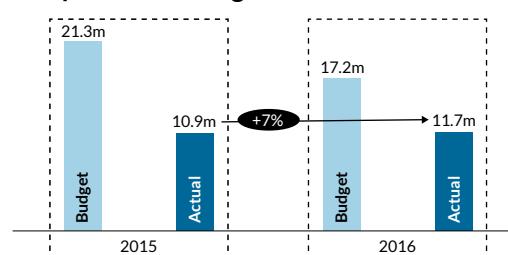


*While MCP grants vest linearly over a period of five years, the actual MCP payout (i.e. "cash-on-cash") received by the individual professional depends on the performance of the underlying investments in the given grant year and materializes over the next 8-12 years. The actual payout can be higher than the originally anticipated nominal amount in the case of consistent investment performance above underlying assumptions, or lower than the originally anticipated nominal amount in the case of lower investment performance. In the worst-case scenario it can be zero.

Compensation in cash and equities

The cash and equity compensation paid to the entire Executive Committee remained within the approved 2016 compensation budget. Their cash and equity compensation remained largely stable and increased by 7%, amounting to CHF 11.7 million (2015: CHF 10.9 million), and was below the maximum budgeted threshold of CHF 17.2 million as approved at the 2015 AGM.

Exhibit 15: Approved cash & equity securities compensation budget of the Executive Committee



Base salary and benefits: base salaries and benefits remained largely flat and amounted to CHF 6.0 million (2015: CHF 5.6 million).

Bonus: bonus payments increased by 45%, amounting to CHF 5.3 million (2015: CHF 3.7 million) mainly due to a significant ramp-up in realized performance fees in 2016 which were not allocated under the MCP.

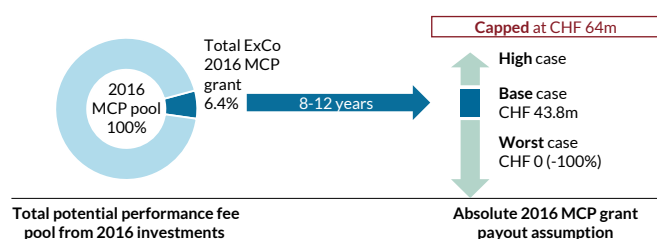
Equity compensation: the overall equity grant to the Executive Committee decreased significantly and amounted to CHF 0.4 million (2015: CHF 1.7 million). In 2016, there were no MIP grants to members of the Executive Committee, reducing the overall compensation stemming from equity securities. Information on Partners Group's equity incentive plans can be found in section 4 of the notes to the consolidated financial statements included in the 2016 Annual Report.

Compensation Report

2016 MCP grants

A separate budget was approved for Executive Committee members with regard to MCP grants, relating to future performance fees from investments attributable to the relevant 2016 period. The 2016 MCP grant remained within the approved 2016 compensation budget and represents a percentage of the 2016 total performance fee pool. This proportion is fixed and will limit executives' pay stemming from 2016 MCP grants to 6.4% of the total performance fee pool for 2016 (2015: 5.5%). In other words, 6.4% of every future US dollar in performance fees stemming from 2016 investments will be granted to the Executive Committee and its individuals.

Exhibit 16: 2016 MCP grants (actual vs. budget) of the Executive Committee



Typically, it can take 8-12 years from the point of MCP grant allocation until the full payout is received, depending on the duration of the underlying investment. Cumulated payments to recipients over time can substantially vary between zero in a worst-case scenario and an amount higher than anticipated in the case of strong outperformance. For illustrative purposes only and to increase transparency, the 2016 MCP program is expected to remain within the following bandwidths: for each 1% of the performance fee pool allocation, Partners Group expected a payout range of CHF 0 to CHF 10.2 million and used CHF 6.8 million as a base-case scenario. In the anticipated base case, this translates into a combined payout assumption of CHF 43.8 million (2015: CHF 19.8 million) to the Executive Committee, i.e. 6.4% of the 2016 MCP grant.

The maximum budgeted threshold of CHF 64 million as approved at the 2015 AGM for the 2016 MCP grants to the Executive Committee provides the necessary flexibility to cover 2016 MCP payouts even in a scenario in which payouts exceed the base-case payout assumption. This will only be the case if the value creation in clients' portfolios is stronger than expected (i.e. if the investment performance for clients is higher than originally underwritten). In any case, the payouts are limited to the maximum budgeted threshold of CHF 64 million.

Cumulated MCP payouts since 2010

The underlying portfolios which have determined MCP pools since 2010 are performing at or above plan. These pools are still in the value creation phase and have therefore not yet generated substantial performance fees and payouts. The actual payout to professionals has been less than the grant value employees received between 2010 and 2016. Between 2010 and 2016, actual payout amounts have gradually increased in line with the maturity of the underlying portfolios. More mature MCP pools (2010-2012) have paid out a higher proportion of their grants than MCP pools which were set-up more recently (2013-2016) as shown in Exhibit 9 in section 2.2.3.

Compensation ratios (variable to base, excluding MCP)

The ratio of the Executive Committee members' variable compensation components (bonus and EPP/MIP, excl. MCP) compared to its base compensation ranged from 86% to 150% in 2016 (2015: 47% to 238%), illustrating varying compensation levels among individual Executive Committee members in line with Partners Group's performance evaluation outlined in section 3.

5.3 Executive Committee members

In 2016, Partners Group's Executive Committee consisted of twelve members as outlined in Exhibit 17. Further details on Executive Committee members' professional history and education, including other activities and functions, can be found in the Corporate Governance Report under section 4.

The Executive Committee's share ownership

With a 6% combined ownership of Partners Group's total share capital, Executive Committee members are the largest internal shareholders next to Board members. They are thus highly aligned with external shareholder interests. A detailed overview of the share and option ownership held by individual members of the Executive Committee as of 31 December 2016 can be found in note 13 to the financial statement of Partners Group Holding AG in the 2016 Annual Report.

Compensation Report

5.4. Loans to the Executive Committee (audited)

Executive Committee members may apply for loans and fixed advances, subject to an internal review and approval process. As of 31 December 2016, no loans were outstanding to either current or former Executive Committee members or to a related party of a current or former Executive Committee member.

5.5. Employee contracts (audited)

Employee contracts have no special provisions such as severance payments, “golden parachutes”, reduced stock and/or options and MCP vesting periods etc. in place in case of the departure of an Executive Committee member. Individual settlements will always be subject to the review of the Co-CEOs and the Nomination & Compensation Committee. Partners Group did not make any such payments to current Executive Committee members in 2015 and 2016.

5.6. Bonus-malus system

Long-term compensation awarded to members of the Executive Committee is also subject to “malus” and “clawback” rules. This means that the Nomination & Compensation Committee and the Board, respectively, may decide not to pay any unpaid or unvested incentive compensation (malus) or may seek to recover incentive compensation that has been paid in the past where the pay-out has been proven to conflict with applicable laws and regulations.

Exhibit 17: Composition of the Executive Committee and functions of its members

Name	Joined Partners Group in	Nationality	Age	Position
André Frei	2000	Swiss	41	Co-Chief Executive Officer and Head Clients
Christoph Rubeli	1998	Swiss	55	Co-Chief Executive Officer and Co-Head Investments
Claude Angéloz	2000	Swiss	49	Head Private Real Estate ¹⁾
Andreas Baumann	2003	Swiss	44	Head Integrated Investments
René Biner	1999	Swiss	46	Co-Head Investments ²⁾
Felix Haldner	2001	Swiss	53	Head Investment Structures
Andreas Knecht	2009	Swiss	47	Chief Operating Officer and General Counsel
Marlis Morin	2003	Swiss/Italian	46	Head Client Services
Stefan Näf	2000	Swiss	43	Head Investment Solutions
Dr. Stephan Schäli	1999	Swiss	48	Co-Head Private Equity
Dr. Michael Studer	2001	Swiss	44	Chief Risk Officer and Head Investment Services
Dr. Cyrill Wipfli	2002	Swiss	43	Chief Financial Officer

¹⁾ Co-Head Private Real Estate & Head Private Real Estate Europe until 31 December 2016.

²⁾ Co-Head Private Debt until 31 December 2016.

Compensation Report

Exhibit 18: Executive Committee compensation 2016 (audited)

In thousands of Swiss francs							2016
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation ¹⁾	Options/shares	Subtotal cash and equity ²⁾⁴⁾	MCP in %	MCP ³⁾
Executive Committee							
André Frei, Co-Chief Executive Officer	500	600	104	0	1'204	0.9%	5'912
Christoph Rubeli, Co-Chief Executive Officer	500	600	57	0	1'157	0.9%	5'912
Total Executive Committee	4'994	5'295	969	401	11'659	6.4%	43'846

¹⁾ Amounts include payments by Partners Group for pension and other benefits.

²⁾ Amounts include payments of all Group entities.

³⁾ Figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2015. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from TCHF 0 to TCHF 10'215 and used TCHF 6'810 as a base scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

⁴⁾ Figures above exclude other items pursuant to Art. 14 of the OaEC relating to discounted fees for investments made alongside investors in Partners Group's open-ended investment programs under the firm's Employee Investment Program (EIP). Including these items the total compensation for the entire Executive Committee amounts to TCHF 11'707, including TCHF 49 for EIP. Total compensation of individual Executive Committee members: André Frei, TCHF 1'204 (EIP: TCHF 0); Christoph Rubeli, TCHF 1'157 (EIP: TCHF 0). There were no such payments in 2015.

Exhibit 19: Executive Committee compensation 2015 (audited)

In thousands of Swiss francs							2015
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation ¹⁾	Options/shares	Subtotal cash and equity ²⁾	MCP in %	MCP ³⁾
Executive Committee							
André Frei, Co-Chief Executive Officer	500	500	99	500	1'599	0.7%	2'502
Total Executive Committee	4'745	3'657	827	1'700	10'929	5.5%	19'827

¹⁾ Amounts include payments by Partners Group for pension and other benefits.

²⁾ Amounts include payments of all Group entities.

³⁾ Figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2015. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from TCHF 0 to TCHF 5'444 and used TCHF 3'629 as a base scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

Compensation Report

6. 2016 Board compensation

6.1. Compensation in 2016

The Board sets compensation for its members at a level that reflects individual responsibility and contribution as well as time allocated to the Board mandate. In principle, the Board can access the same compensation elements as the Executive Committee to support the alignment of interests with clients and shareholders.

The cash and equity compensation of individual members of the Board has been set at the full discretion of the Board and is proposed by the Nomination & Compensation Committee based on each member's role, responsibilities and assigned additional tasks. Partners Group outlines the Board compensation structure in Exhibit 20.

Members of the Board may receive higher annual compensation should they be assigned additional tasks and responsibilities, such as chairing a Board committee, or taking a more active role in the firm's ongoing business activities. Compensation for additional tasks may be paid either in cash or equity or through MCP grants further emphasizing the focus on the firm's long-term investment success. Partners Group does not believe that this compromises independent Board members' independence, as the MCP program aims to achieve long-term sustainable investment success and prevent short-term risk taking.

Exhibit 20: Board compensation structure

Function	Cash & equity securities (in CHF)	Eligible for MCP
Board membership	100'000	
Chairing of the Board	+150'000	Yes
Chairing of a Board committee	+50'000	No
Additional contribution to the firm	+>200'000	Yes

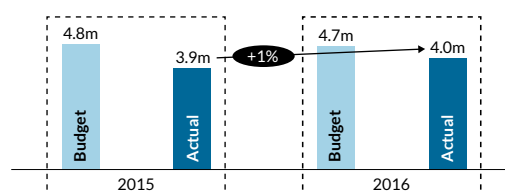
In addition, in 2016, the firm awarded a one-time allocation of Partners Group Holding AG shares to select independent members of the Board of Directors. The shares allocated must be held for the entire duration of a Board mandate and are designed to further align the interests of independent Board members with those of shareholders. This one-off grant was awarded to Grace del Rosario-Castaño, Michelle Felman and Dr. Eric Strutz and amounted to CHF 50'000 per member at grant date and is not included in the Board compensation structure shown below.

The Board reviews the compensation of its members, including the Chairman, each year based on a proposal by the Nomination & Compensation Committee. A detailed overview of the individual compensation components of all members of the Board in 2016 is outlined in Exhibits 25 and 26.

Compensation in cash and equities

For the calendar year 2016, the actual cash and equity compensation of the Board increased by 5%, amounting to CHF 4.0 million (2015: CHF 3.9 million) and was below the maximum budgeted threshold of CHF 4.7 million as approved at the 2016 AGM. The increase in cash and equity compensation is mostly attributable to the additional one-off share allocation to select independent members of the Board of Directors.

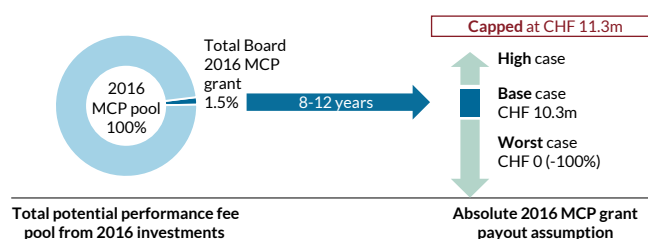
Exhibit 21: Approved cash & equity securities compensation budget of the Board



2016 MCP grants

A separate budget was approved for Board members with regard to MCP grants. The 2016 MCP grant to those Board members with significant involvement in the firm beyond regular Board work represents 1.5% of the 2016 total performance fee pool (2015: 1.7%). This proportion is fixed and will limit respective Board members' pay stemming from 2016 MCP grants. In other words, 1.5% of every future US dollar in performance fees stemming from 2016 investments will be granted to those select Board members who receive MCP grants.

Exhibit 22: 2016 MCP grants (actual vs. budget) of the Board of Directors



Typically, it can take 8-12 years from the point of MCP grant allocation until the full payout is received, depending on the duration of the underlying investment. Cumulated payments to recipients over time can vary substantially between zero in

Compensation Report

a worst-case scenario and an amount higher than anticipated in the case of strong outperformance. For illustrative purposes only and to increase transparency, the 2016 MCP program is expected to remain in the following bandwidths: for each 1% of the performance fee pool allocation, Partners Group expected a payout range of CHF 0 to CHF 10.2 million and used CHF 6.8 million as a base-case scenario. This translates into a combined payout assumption in the anticipated base case of CHF 10.3 million (2015: CHF 6.3 million) to the Board, i.e. 1.5% of the 2016 MCP grant.

The maximum budgeted threshold of CHF 11.3 million as approved at the 2015 AGM for the 2016 MCP grants to respective Board members provides the necessary flexibility to cover 2016 MCP payouts even in a scenario where payouts exceed the base-case payout assumption. This will only be the case if the value creation in clients' portfolios is stronger than expected (i.e. if the investment performance for clients is higher than originally underwritten). In any case, the payouts are limited to the maximum budgeted threshold of CHF 11.3 million.

Cumulated MCP payouts since 2010

The underlying portfolios which have determined MCP pools since 2010 are performing at or above plan. These pools are still in the value creation phase and have therefore not yet generated substantial performance fees and payouts. The actual payout to professionals has been less than the grant value employees received between 2010 and 2016. Between 2010 and 2016, actual payout amounts have gradually increased in line with the maturity of the underlying portfolios. More mature MCP pools (2010-2012) have paid out a higher proportion of their grants than MCP pools which were set-up more recently (2013-2016) as shown in Exhibit 9 in section 2.2.3.

6.2. Board members

The Board is entrusted with deciding the ultimate strategy and direction of the company and with the supervision of the executive management. As of 31 December 2016, the Board consisted of ten members, six of whom are considered independent. All members were elected by shareholders for a one-year tenure with the possibility of re-election.

Independency criteria

Further information on the criteria for Board member independence as well as the professional history and education of each Board member, including other activities and functions, such as mandates on the Boards of important corporations, organizations and foundations, or permanent functions for important interest groups, can be found in section 3 in the

Corporate Governance Report 2016. Based on the firm's annual evaluation process, Partners Group considers Charles Dallara, Michelle Felman, Grace del Rosario-Castaño, Eric Strutz, Patrick Ward and Peter Wuffli as independent members.

Board members' share ownership

With a 31% combined ownership of total Partners Group share capital, the Board is the largest shareholder and therefore highly aligned with shareholder interests. A detailed overview of the share and option ownership held by individual members of the Board as of 31 December 2016 can be found in note 13 to the financial statement of Partners Group Holding AG in the 2016 Annual Report. Further information on duration, exercise price etc. of Partners Group's equity incentive plan can be found in section 4 of the notes to the consolidated financial statements included in the 2016 Annual Report.

6.3. Loans to the Board (audited)

Members of the Board may apply for loans and fixed advances, subject to an internal review and approval process. Loans are made on substantially the same terms as those granted to other employees. As of 31 December 2016, no loans were outstanding to either current or former Board members or to a related party of a current or former Board member.

6.4. Board contracts (audited)

Contracts with members of the Board have no special provisions such as severance payments, "golden parachutes", reduced stock and/or options and MCP vesting periods etc. in place in case of the departure of a Board member. Partners Group did not make any such payments to current members of the Board in 2015 and 2016.

Compensation Report

Exhibit 23: Outstanding loans in 2016 and 2015 to members of the Board (audited)

In thousands of Swiss francs	2016	2015
Name and function		
Dr. Charles Dallara, Vice Chairman	0	59
Total loans outstanding	0	59

Exhibit 24: Composition of the Board and functions of its members

Name	Director since	Nationality	Age	Committee membership ²⁾	Function
Dr. Peter Wuffli ¹⁾	2009	Swiss	59	SC, NCC, RAC, IOC	Chairman, Chair of the Strategy Committee
Dr. Charles Dallara ¹⁾	2013	American	68	MC	Vice Chairman, Chairman of the Americas
Dr. Marcel Erni	1997	Swiss	51	SC, IOC	Chief Investment Officer
Michelle Felman ¹⁾	2016	American	54	IOC	Chair of the Investment Oversight Committee
Alfred Gantner	1997	Swiss	48	SC, RAC, IOC	Chair of the Global Investment Committee
Steffen Meister	2013	Swiss	46	SC, NCC, MC	Delegate of the Board/President
Grace del Rosario-Castaño ¹⁾	2015	Filipino	53	NCC, IOC	Chair of the Nomination & Compensation Committee
Dr. Eric Strutz ¹⁾	2011	German	52	RAC	Chair of the Risk & Audit Committee
Patrick Ward ¹⁾	2013	British	63	MC	Chairman UK & Middle East
Urs Wietlisbach	1997	Swiss	55	MC, SC	Chair of the Markets Committee

¹⁾ Independent Partners Group Board member in line with the independency criteria outlined in section 3.1 in the Corporate Governance Report.

²⁾ **SC:** Strategy Committee, **MC:** Markets Committee, **NCC:** Nomination & Compensation Committee, **RAC:** Risk & Audit Committee, **IOC:** Investment Oversight Committee
Detailed information on committees is provided in section 3.5 in the Corporate Governance Report.

Compensation Report

Exhibit 25: Board compensation 2016 (audited)

In thousands of Swiss francs						2016	
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation ¹⁾	Options/shares	Subtotal cash and equity ²⁾⁴⁾	MCP in %	MCP ³⁾
Board of Directors							
Dr. Peter Wuffli, Chairman	150	0	11	100	261	0.1%	985
Dr. Charles Dallara, Vice Chairman	493	394	37	400	1'324	-	-
Dr. Marcel Erni	300	0	52	0	352	0.3%	2'217
Michelle Felman	100		12	100	212		
Alfred Gantner	300	0	67	0	367	0.3%	2'217
Steffen Meister	300	0	48	0	348	0.3%	2'217
Grace del Rosario-Castaño	100		12	100	212	-	-
Dr. Eric Strutz	100		12	100	212	-	-
Patrick Ward	300	0	27	0	327	0.1%	493
Urs Wietlisbach	300	0	61	0	361	0.3%	2'217
Total Board of Directors	2'443	394	339	800	3'976	1.5%	10'346

¹⁾ Amounts include payments by Partners Group for pension and other benefits.

²⁾ Amounts include payments of all Group entities.

³⁾ Figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2015. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from TCHF 0 to TCHF 10'215 and used TCHF 6'810 as a base scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

⁴⁾ Figures above exclude other items pursuant to Art. 14 of the OaEC relating to discounted fees for investments made alongside investors in Partners Group's open-ended investment programs under the firm's Employee Investment Program (EIP). Including these items the total compensation for the entire Board of Directors amounts to TCHF 4'256. Total compensation of the individual Board members: Dr. Marcel Erni, TCHF 399 (EIP: TCHF 47); Alfred Gantner, TCHF 490 (EIP: TCHF 123); Steffen Meister, TCHF 352 (EIP: TCHF 3); Urs Wietlisbach, TCHF 465 (EIP: TCHF 104). There were no such payments in 2015.

Compensation Report

Exhibit 26: Board compensation 2015 (audited)

In thousands of Swiss francs						2015	
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation ¹⁾	Options/shares	Subtotal cash and equity ²⁾	MCP in %	MCP ³⁾
Board of Directors							
Dr. Peter Wuffli, Chairman	150	0	13	100	263	0.1%	481
Dr. Charles Dallara, Vice Chairman	481	626	29	400	1'536	0.3%	962
Dr. Marcel Erni	300	0	61	0	361	0.3%	962
Alfred Gantner	300	0	72	0	372	0.3%	962
Steffen Meister	300	0	60	0	360	0.4%	1'444
Grace del Rosario-Castaño	100	0	9	50	159	-	-
Dr. Eric Strutz	100	0	9	50	159	-	-
Patrick Ward	300	0	25	0	325	0.1%	481
Urs Wietlisbach	300	0	64	0	364	0.3%	962
Dr. Wolfgang Zürcher ⁴⁾	0	0	3	34	37	-	-
Total Board of Directors	2'331	626	345	634	3'936	1.7%	6'254

¹⁾ Amounts include payments by Partners Group for pension and other benefits.

²⁾ Amounts include payments of all Group entities.

³⁾ Figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2015. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from TCHF 0 to TCHF 5'444 and used TCHF 3'629 as a base scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

⁴⁾ Board member from 1 January 2015 until 13 May 2015.

Compensation Report



Statutory Auditor's Report

To the General Meeting of Partners Group Holding AG, Baar

Report on the Audit of the Compensation Report

We have audited the accompanying compensation report of Partners Group Holding AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in sections 5.4 to 5.5 and exhibits 18 to 19 on pages 156-157 as well as sections 6.3 to 6.4 and exhibits 23, 25 and 26 on pages 159-162 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2016 of Partners Group Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Christoph Gröbli
Licensed Audit Expert
Auditor in Charge

Thomas Dorst
Licensed Audit Expert

Zurich, 8 March 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

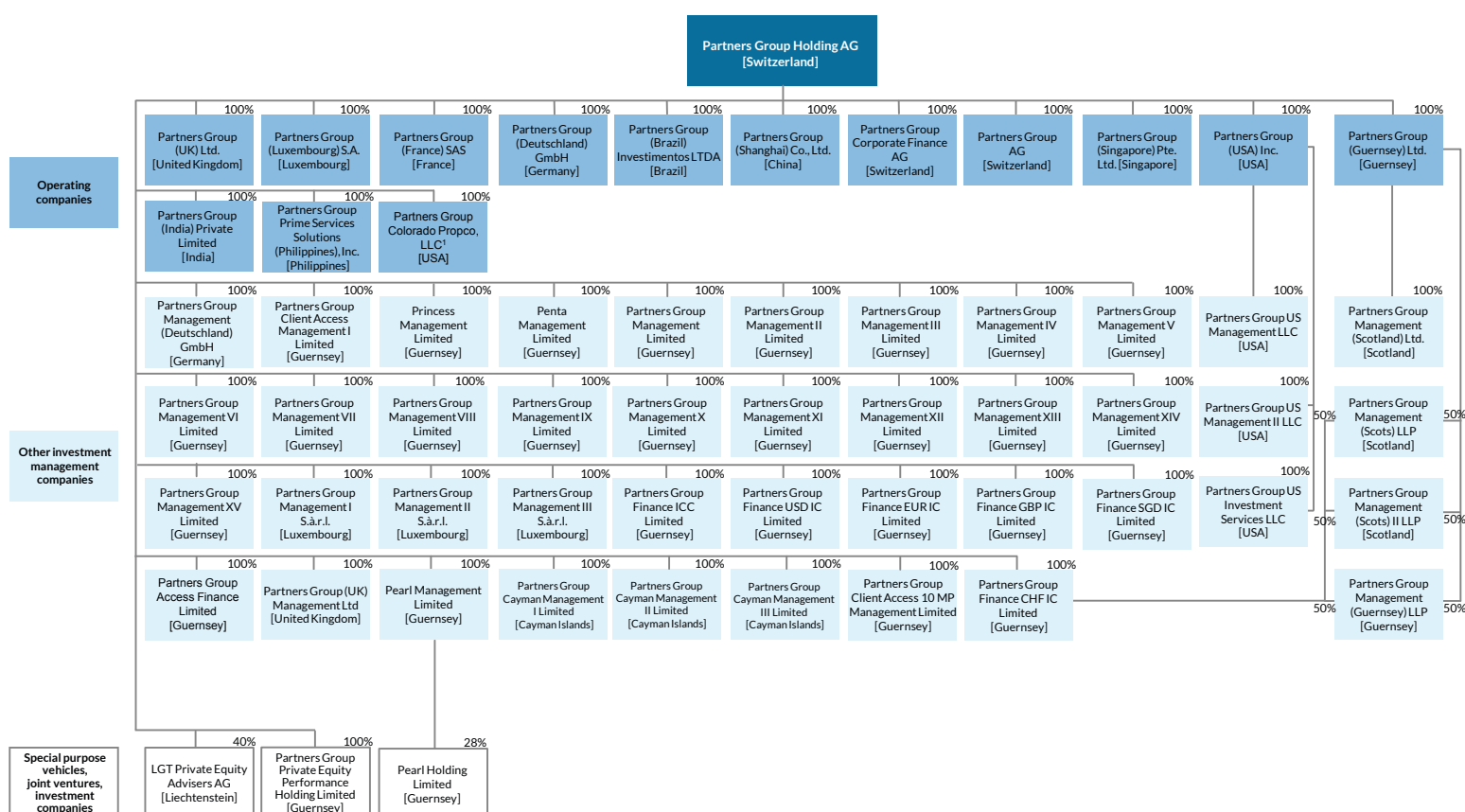
KPMG AG is a subsidiary of KPMG Holding AG, which is a member of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss legal entity. All rights reserved.

Corporate Governance Report

Partners Group is committed to meeting high standards of corporate governance, with the aim of guiding the firm to further success. Partners Group bases its corporate governance on the “Swiss Code of Best Practice for Corporate Governance” issued by economiesuisse and on the “Directive on Information relating to Corporate Governance” issued by the SIX Exchange Regulation. With entities regulated in various jurisdictions, including the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Securities and Exchange Commission (SEC), the Financial Conduct Authority (FCA) and the Monetary Authority of Singapore (MAS), we further uphold the requirements that these regulations imply. The corporate governance section contains information on the following:

1. Group structure and shareholders
2. Capital structure
3. Board of Directors
4. Executive Committee
5. Global Executive Board
6. Compensation, shareholdings and loans
7. Shareholders' participation rights
8. Changes of control and defense measures
9. Auditors
10. Information policy
11. Non-applicability/negative disclosure

In this Corporate Governance Report, references to “Partners Group”, “Partners Group Holding”, the “firm”, the “company”, the “entity”, “we”, “us” and “our” are to Partners Group Holding AG together with its consolidated subsidiaries, unless the context requires otherwise.



¹ Partners Group Colorado Propco, LLC was formed for the sole purpose of purchasing and owning land and property for Partners Group's permanent office in Colorado, USA. As of 20 January 2017. The purpose of the chart above is to provide an overview of the group structure of Partners Group Holding AG and its subsidiaries/affiliates. The ownership percentages reflected in the chart are meant for illustrative purposes and are rounded.

Corporate Governance Report

1. Group structure and shareholders

1.1. Group structure

1.1.1. Description

Partners Group Holding operates through majority or wholly owned subsidiaries in Switzerland, the United States, the United Kingdom, Guernsey, Singapore and other jurisdictions. The chart above provides an overview of the group structure as of 31 December 2016.

1.1.2. Listed companies belonging to the Group

Partners Group is a stock corporation incorporated under Swiss law with its registered office and headquarters at Zugerstrasse 57, 6341 Baar-Zug. The shares of Partners Group Holding are listed pursuant to the Main Standard on the SIX Swiss Exchange AG under the securities number 002460882 and ISIN CH0024608827. The market capitalization of the company as of 31 December 2016 was CHF 12.7 billion. All other group companies are privately held.

1.1.3. Non-listed companies belonging to the Group

For more detailed information on the non-listed subsidiaries of the group, including names, domiciles, share capital and ownership interests, please see section 3 of the notes to the financial statements of Partners Group Holding in the Annual Report 2016.

1.2. Significant shareholders

Partners Group Holding has the following significant shareholders holding over 3% of the shares and voting rights of the company as of 31 December 2016.

On 3 December 2015, largest shareholders Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach ("the founding partners") entered into a five-year derivative transaction. This derivative transaction concerns up to 4.1% of Partners Group's total share capital for each founding partner and involves so-called collars that expire on 17 June 2021. In order to coordinate the associated share transaction, the founding partners entered into an organized group, comprising 12.37% (4.12% each) of the total share capital. Within this group, each member entered into a separate collar transaction, with Morgan Stanley & Co. International plc as counterparty, involving the purchasing of long put options and the writing of short call options. In parallel, and in relation to the collar transactions with Morgan Stanley & Co. International plc, the founding partners entered into a separate lock-up group which concerned the

remaining shares of each founding partner not subject to the collar transaction. This separate lock-up group expired 180 days after the trade date on 31 May 2016 and comprised 17.67% of the total share capital (5.89% each). On 20 February 2017, the founding partners extended their existing derivative agreement concerning up to 4.1% of Partners Group's total share capital for each founding partner by another 0.9%. This transaction involves another collar that also expires on 17 June 2021.

On 13 January 2017, a group controlled by Morgan Stanley, c/o The Corporation Trust Company (DE), Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, DE 19801, USA, disclosed shareholdings of 3'523'677 shares, corresponding to 13.20% of the total share capital.

In addition, on 30 November 2016 a group controlled by BlackRock, Inc., 55 East 52nd Street, New York, NY 10055, USA, disclosed an acquisition of shares resulting in a shareholding of 1'422'890 shares, corresponding to 5.33% of the total share capital.

At year-end Partners Group Holding held 180'607 treasury shares, corresponding to 0.68% of the total share capital.

All disclosures according to art. 20 of the Stock Exchange Act (SESTA), including further details on the lock-up group and organized group referred to above can be found on the SIX Exchange Regulation homepage: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

1.3. Cross-shareholdings

Partners Group Holding has no cross-shareholdings of 5% or more with another company or group of companies.

Corporate Governance Report

2. Capital structure

2.1. Capital

The issued nominal share capital of Partners Group Holding amounts to CHF 267'000, comprising 26'700'000 fully paid-in registered shares with a nominal value of CHF 0.01 each. Please see section 2.2 below for information on authorized and conditional capital.

2.2. Authorized and conditional share capital

Partners Group Holding has no authorized share capital as of 31 December 2016 and no changes in capital have occurred during the last three years.

Since 30 June 2000, Partners Group Holding has established regular share and option programs that entitle management personnel as well as a large number of employees to purchase and/or hold shares in the entity. The options can be settled either by the issuance of shares out of conditional share capital or by the delivery of existing shares (treasury shares). Please see section 4 of the notes to the consolidated financial statements in the Annual Report 2016 for comprehensive information on the share and option program of the firm. In order to be able to cover all outstanding options at any point in time, even on a fully diluted basis, the Extraordinary General Meeting of shareholders held on 14 December 2005 approved the creation of a conditional share capital of a maximum of CHF 13'350, divided into 1'335'000 fully paid-in registered shares of a nominal value of CHF 0.01 each. Furthermore, the Annual General Meeting (AGM) of shareholders held on 27 April 2007 approved the increase of the conditional share capital to a maximum of CHF 40'050, divided into 4'005'000 fully paid-in registered shares of a nominal value of CHF 0.01 each.

The share capital may be increased through the exercise of options granted to the members of the Board of Directors and employees of Partners Group in the aggregate amount of the conditional share capital. Pre-emptive rights, as well as the shareholders' advance subscription rights, are excluded in favor of the option holders. The Board of Directors will determine all details of the terms of any issue of conditional share capital, such as each amount of issue, date of dividend entitlement, and kind of contributions, and will establish the related equity investment plan. The acquisition of the registered shares by exercising the option rights and the further transfer of the shares are subject to the transfer restrictions set forth in section 2.6 below.

Partners Group has disclosed all details of its option plan according to art. 20 SESTA on the SIX Exchange Regulation: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

2.3. Changes in capital

No changes in capital have occurred during the last three years.

2.4. Shares and participation certificates

Partners Group Holding has issued 26'700'000 fully paid-in registered shares with a nominal value of CHF 0.01 each and transferability in accordance with our articles of association (available at <http://www.partnersgroup.com/articlesofassociation>), as described in section 2.6 below. The shares have been issued in the form of book-entry securities. Shareholders do not have the right to ask for printing and delivery of share certificates. A shareholder may, however, at any time demand that Partners Group Holding issue a confirmation of such shareholder's holding.

Each share carries one vote at shareholders' meetings. All shares have equal rights. Voting rights and certain other non-economic rights attached to the shares, including the right to call and to attend shareholders' meetings, may be exercised only after a shareholder has been registered in the share register of Partners Group Holding as a shareholder with voting rights. Such registration requires the approval of the Board of Directors and is restricted, see section 2.6 below. All shares are entitled to full dividend rights.

Partners Group Holding has not issued (non-voting) participation certificates (Partizipationsscheine).

2.5. Dividend-right certificates

Partners Group Holding has not issued any dividend-right certificates (Genussscheine).

Corporate Governance Report

2.6. Limitations on transferability and nominee registration

Any transfer of shares will not be recognized for the purpose of having voting rights with respect to such shares unless a transfer is approved by the Board of Directors. This limitation also applies to the establishing of a usufruct. If the application of a transferee for recognition is not declined by the Board of Directors within 20 days, this transferee is deemed to have been recognized as a shareholder. According to art. 6 of the articles of association, the Board of Directors may refuse to register a transferee as a shareholder with voting rights to the extent that said transferee's total shareholding would exceed 10% of the total share capital as registered in the commercial register. The Board of Directors may also refuse to register a transferee as a shareholder with voting rights if the transferee does not expressly declare that it has acquired the shares in its own name and for its own account. If the shares pass by inheritance or matrimonial property law, the transferee may not be refused as a shareholder with voting rights. Entries in the share register may be cancelled if they are based on false information on the part of the transferee.

Partners Group Holding has issued special provisions for the registration of nominees. Nominees may be entered in the share register with voting rights for a maximum of 5% of the total share capital as set forth in the commercial register. The Board of Directors may allow a nominee to exceed this limit if such nominee discloses the name, address and shareholding of any person for whose account it is holding 0.5% or more of the share capital as set forth in the commercial register. The Board of Directors shall conclude agreements with such nominees concerning disclosure requirements, representation of shares and exercise of voting rights.

Any reversal or amendment of the statutory rules governing the transfer limitation require a quorum of at least two-thirds of the represented votes at the shareholders' meeting and the absolute majority of the represented nominal value of shares.

No exceptions to the limitations on transferability and nominee registration were granted during the financial year 2016.

2.7. Convertible bonds and options

Partners Group Holding currently has no convertible bonds outstanding.

Since 30 June 2000, Partners Group Holding has established regular share and option programs that entitle management personnel as well as a large number of employees to purchase and/or hold shares in the entity. The options can be settled either by the issuance of shares out of conditional share capital or by the delivery of existing shares (treasury shares). Please see section 4 of the notes to the consolidated financial statements in the Annual Report 2016 for comprehensive information on the share and option program of the firm.

Partners Group Holding has not issued any further options or warrants.

The Board of Directors of Partners Group Holding is entrusted with the overall strategy and direction of the company and with the supervision of its management. As of 31 December 2016, the Board of Directors consists of ten members. All members were elected by shareholders for a one-year tenure with the possibility of re-election.

Corporate Governance Report

3. Board of Directors

The table below shows the current composition of the Board of Directors:

Name	Director since	Nationality	Age	Committee membership ²⁾	Function
Dr. Peter Wuffli ¹⁾	2009	Swiss	59	SC, NCC, RAC, IOC	Chairman, Chair of the Strategy Committee
Dr. Charles Dallara ¹⁾	2013	American	68	MC	Vice Chairman, Chairman of the Americas
Dr. Marcel Erni	1997	Swiss	51	SC, IOC	Chief Investment Officer
Michelle Felman ¹⁾	2016	American	54	IOC	Chair of the Investment Oversight Committee
Alfred Gantner	1997	Swiss	48	SC, RAC, IOC	Chair of the Global Investment Committee
Steffen Meister	2013	Swiss	46	SC, NCC, MC	Delegate of the Board/President
Grace del Rosario-Castaño ¹⁾	2015	Filipino	53	NCC, IOC	Chair of the Nomination & Compensation Committee
Dr. Eric Strutz ¹⁾	2011	German	52	RAC	Chair of the Risk & Audit Committee
Patrick Ward ¹⁾	2013	British	63	MC	Chairman UK & Middle East
Urs Wietlisbach	1997	Swiss	55	MC, SC	Chair of the Markets Committee

¹⁾ Independent Partners Group Board member in line with the independency criteria outlined in section 3.1.

²⁾ **SC:** Strategy Committee, **MC:** Markets Committee, **NCC:** Nomination & Compensation Committee, **RAC:** Risk & Audit Committee, **IOC:** Investment Oversight Committee
Detailed information on committees is provided in section 3.5.

3.1. Members of the Board of Directors

All members of the Board of Directors of Partners Group Holding AG are also members of the Board of Directors of Partners Group AG. Individual members of the Board of Directors of Partners Group Holding AG are also members of the Board of Directors of other operating entities of the firm such as the Group entities in the UK, US, Philippines and China. The Co-Founders of Partners Group, Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach, do not hold any material Board memberships outside the Partners Group Holding group or associated companies except for those mentioned in their curriculum vitae below. They do not hold any official functions or political posts.

The texts below provide information on the independency criteria for members of the Board of Directors and on the professional history and education of each member of the Board of Directors, including other significant activities in governing and supervisory bodies of important financial organizations, institutions and foundations under private and public law, permanent management and consultancy functions for important Swiss and foreign interest groups, and official functions and political posts.

Independence statement for members of the Board

Best practice in corporate governance calls for the independence of selected Board members as an important element of its quality and integrity. However, defining independence is challenging as codes of best practice, regulators, as well as proxy advisors, tend to use different criteria and no globally accepted standard has yet emerged. In addition, many of the criteria suggested follow formal legal or financial concepts that do not necessarily reflect the substantive independence in background, perspective and judgment of Board members that is conducive to high levels of quality and integrity in corporate governance. Finally, each company has its specific characteristics in terms of its business model and its governance and ownership structure as a result of which certain criteria take precedence over others.

Having reviewed a series of possible criteria from different sources, ranging from financial market authorities, other stock exchanges, codes of best practice, to foundations and independent asset managers with a focus on a sustainable corporate development, Partners Group recognizes significant differences in their definitions of Board member independence. Some apply more formal criteria while others tend to focus more on substance. For example, more formal criteria for the definition of independency assess direct compensation received from the firm within a certain period of time or focus

Corporate Governance Report

on the current employment status with the firm, whereby an assessment that focuses more on substance also takes into account the specific circumstances, such as other functions performed for the firm, to determine independency. Partners Group follows the general corporate governance principle of “comply or explain” and therefore applies the following criteria to evaluate the independence of its Board members.

First and foremost, when searching for an additional external member of the Board, Partners Group looks for accomplished, distinctive and competent personalities who are respected based on their achievements, contribute relevant professional skills, commit substantial capacity and add to the diversity of the Board in terms of background, perspectives and views. In our view, these selection criteria represent the essence of true independence.

In addition, Partners Group applies several formal criteria for Board member independence:

- no line management function (i.e. positions with substantial decision-making authority) for Partners Group Holding or any of its affiliates currently or in the prior three years;
- no employment or affiliation with our external auditor currently or in prior three years;
- less than ten years as an existing Partners Group Board member.

The materiality of the following additional criteria is evaluated on a case-by-case basis:

- limited financial dependence on Partners Group in terms of employment, income and shareholding relative to an individual's overall situation; and
- no material direct or indirect business relationship with Partners Group or any of its affiliates (except as an investor in Partners Group products).

Whether or not a Board member has an employment contract with Partners Group or any of its affiliates, the extent to which a Board member is active on behalf of Partners Group, and the level of compensation received from Partners Group are in our assessment not valid criteria to challenge independence. On the contrary, Partners Group appreciates active Board members and views high levels of involvement as valuable contributions to the quality and integrity of corporate governance.

As a result of this evaluation process (which is reviewed annually) we consider the following current Board members as independent: Dr. Charles Dallara, Michelle Felman, Grace del Rosario-Castaño, Dr. Eric Strutz, Patrick Ward and Dr. Peter Wuffli.

History and education of each member of the Board of Directors, including other activities and functions



Dr. Peter Wuffli

is the independent Chairman of the Board of Directors of Partners Group Holding AG and holds mandates in various other organizations. He chairs the philanthropic elea Foundation for Ethics in Globalization that he established together with his wife

in 2006. He is also Chairman of the IMD Foundation and Supervisory Boards of the Lausanne business school IMD and Vice-Chairman of the Board of the Zurich Opera House. Dr. Peter Wuffli studied economics at the University of St. Gallen (HSG), Switzerland, where he gained his PhD in 1984. From 1984 to 1993 he worked for McKinsey & Company as a management consultant where he became a Partner and member of the Swiss office leadership team in 1990. In 1994 he joined the Swiss Bank Corporation (today UBS) as Chief Financial Officer. Following the merger of the Swiss Bank Corporation and the Union Bank of Switzerland in 1998, he continued to serve as Chief Financial Officer until 1999 when he became Chairman and CEO of UBS Global Asset Management. From 2001 he was President and from 2003 onwards Group CEO of UBS until his resignation in 2007. Since January 2016, he is a member of the MAS International Advisory Panel in Singapore, an advisory panel for Singapore's financial sector reforms and strategies. Dr. Peter Wuffli is furthermore a member of the Board of Directors of PG Impact Investments Foundation. Neither Dr. Peter Wuffli nor any of his close family members have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Dr. Peter Wuffli does not exercise any official functions or hold a political post nor does he have any permanent management/consultancy functions for significant domestic and foreign interest groups.



Dr. Charles Dallara

is the independent Vice Chairman of Partners Group Holding AG's Board of Directors and Chairman of the Americas, based in New York. He has 41 years of industry experience. Prior to joining Partners Group, he was the Managing Director and Chief Executive

Officer of the Institute of International Finance. Previously, he was a Managing Director at J.P. Morgan & Co. In addition, he held the following positions in the George H.W. Bush and

Corporate Governance Report

Ronald Reagan administrations: Assistant Secretary of the Treasury for International Affairs, Assistant Secretary of the Treasury for Policy Development and Senior Advisor for Policy to the Secretary of the Treasury, United States Executive Director of the IMF, and, concurrently, Senior Deputy Assistant Secretary of the Treasury for International Economic Policy and US Alternate Executive Director at the IMF. He holds a Master of Arts, a Master of Arts in Law & Diplomacy and a PhD from the Fletcher School of Law and Diplomacy at Tufts University, Massachusetts, USA, and a bachelor's degree in economics from the University of South Carolina, USA. He is a member of the Board of Directors of Scotia Bank and Scotia Holdings (US) Inc. and of the Middle East Investment Initiative. Neither Dr. Charles Dallara nor any of his close family members have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Dr. Charles Dallara does not exercise any official functions or hold a political post nor does he have any permanent management/consultancy functions for significant domestic and foreign interest groups.



Dr. Marcel Erni

co-founded Partners Group in 1996. He is a member of the Global Investment Committee. He is an executive member of Partners Group Holding AG's Board of Directors and the Chief Investment Officer, based in Zug. He has 25 years of industry experience. Prior to

founding Partners Group, he worked at Goldman Sachs & Co. and McKinsey & Co. He holds an MBA from the University of Chicago Booth School of Business, Illinois and a PhD in finance and banking from the University of St. Gallen (HSG), Switzerland. He is a member of the Board of Directors of Castle Private Equity AG, Switzerland and Global Blue SA, Switzerland, a Partners Group portfolio company. He is also a Board member of PG3 AG, Switzerland, the family office of the founders of Partners Group.



Michelle Felman

is an independent member of the Board of Directors of Partners Group Holding AG and Chairwoman of the Investment Oversight Committee. She has more than 26 years of experience in the real estate and investment business. Michelle Felman is furthermore the

Founder of JAM Holdings, an investment and advisory firm, and currently sits on the Executive Committee of the Zell

Lurie Center at Wharton Business School, where she also served as a visiting professor. Since January 2017 Michelle Felman teaches at Columbia University in New York. She holds a board position at Choice Properties, a REIT, and is on the investment committee of the Turner-Agassi Charter School Facilities Fund, an investment platform focused on social impact investing in education. From 1997 to 2010, Michelle Felman was Executive Vice President (EVP), Acquisitions and Capital Markets, at Vornado Realty Trust. During her tenure as EVP at Vornado, she led growth initiatives that enabled the firm to become one of the largest commercial and retail real estate owners in the New York City and Washington DC markets. She continued to provide consulting services to the firm for two years after her retirement from her executive role. Before joining Vornado, she was Managing Director, Global Business Development at GE Capital with responsibility for structuring and evaluating new markets and products globally (1994-1997). Prior to this, she spent three years in investment banking at Morgan Stanley. Michelle Felman earned her undergraduate degree in economics from the University of California in Berkeley and her MBA from Wharton Business School at the University of Pennsylvania. Neither Michelle Felman nor any of her close family members have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Michelle Felman does not exercise any official functions or hold a political post nor does she have any permanent management/consultancy functions for significant domestic and foreign interest groups.



Alfred Gantner

is the Chairman of the Global Investment Committee and an executive member of Partners Group Holding AG's Board of Directors, based in Zug. He co-founded Partners Group in 1996 and served as Chief Executive Officer from then until 2005, when he became Executive

Chairman. In 2014, Alfred stepped down as Executive Chairman and took up his current role. Prior to founding Partners Group, he worked at Goldman Sachs & Co. He has 25 years of industry experience and holds an MBA from the Brigham Young University Marriott School of Management, Utah. He is a member of the Board of Directors of Partners Group's portfolio companies Fermaca Luxembourg s.à.r.l., VAT Group AG and PCI Pharma Services. He is also a member of the Board of Directors of PG Impact Investments Foundation and PG3 AG, Switzerland, the family office of the founders of Partners Group.

Corporate Governance Report



Steffen Meister

is an executive member of Partners Group Holding AG's Board of Directors and the Delegate of the Board of Directors/President, based in Zug. He has been with Partners Group since 2000, was the Chief Executive Officer from 2005 to 2013 and has 21

years of industry experience. Steffen Meister is furthermore the co-founder and Chairman of the Board of Directors of Crossiety AG, a social media platform for local communities in Switzerland. Prior to joining Partners Group, he worked at Credit Suisse Financial Products and had assignments at Swiss Reinsurance Co. and the Department of Mathematics of the Swiss Federal Institute of Technology (ETH) in Zurich. He holds a master's degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.



Grace del Rosario-Castaño

is an independent member of the Board of Directors of Partners Group Holding AG and Chairwoman of the Nomination & Compensation Committee of the Board of Directors. Grace del Rosario-Castaño spent 22 years at Johnson & Johnson, joining in 1990 as Brand

Manager and ending her tenure as Company Group Chairman, Asia-Pacific, in July 2014. In that role, Grace del Rosario-Castaño was responsible for all markets in the Asia-Pacific region, covering 14 operating companies with revenue of over USD 3 billion. In her early years at Johnson & Johnson, she worked for the Consumer Products Worldwide division in the United States. Prior to joining Johnson & Johnson, Grace del Rosario-Castaño spent the formative years of her career with Unilever. She graduated Magna Cum Laude with a Bachelor of Science in Business Administration from the University of the Philippines. She has also completed the Senior Management Programs at the Asian Institute of Management, Smith-Tuck Global Leadership For Women, at the Tuck School of Business in Hanover, New Hampshire and the Advanced Management Program at the University of California in Berkeley. Neither Grace del Rosario-Castaño nor any of her close family members have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Grace del Rosario-Castaño does not exercise any official functions or hold a political post nor does she have any permanent management/consultancy functions for significant domestic and foreign interest groups.



Dr. Eric Strutz

is an independent member of the Board of Directors of Partners Group Holding AG and Chairman of the Risk and Audit Committee. He was Chief Financial Officer and a member of the Board of Managing Directors of Commerzbank AG until March

2012. Prior to joining Commerzbank AG, Dr. Eric Strutz was employed by the Boston Consulting Group from 1993, where he was Vice President, Director and Partner as from 2000. He studied at the Universities of Erlangen-Nürnberg, Germany, and St. Gallen (HSG), Switzerland, and holds an MBA from the University of Chicago, Illinois, USA, as well as a PhD in business administration from the University of St. Gallen (HSG), Switzerland. He is a member of the Board of Directors of HSBC Bank plc. and a member of the Supervisory Board as well as Chairman of the Risk and Audit Committees of HSBC Trinkaus & Burkhardt AG. Neither Dr. Eric Strutz nor any of his close family members have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Dr. Eric Strutz does not exercise any official functions or hold a political post nor does he have any permanent management/consultancy functions for significant domestic and foreign interest groups.



Patrick Ward

is an independent member of Partners Group Holding AG's Board of Directors and Chairman UK and Middle East, based in London. He has 37 years of industry experience. Prior to joining Partners Group, he was Advisory Director and Chairman of Goldman

Sachs Asset Management International. Previously, he was Deputy Chairman and Co-Chief Executive Officer of Goldman Sachs International and a member of the firm's management committee, having previously co-headed the equities division globally. He holds a master's degree in management from Northwestern University, Illinois, USA, and an MBA from the University of the Witwatersrand, Johannesburg, South Africa. Neither Patrick Ward nor any of his close family members have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Patrick Ward does not exercise any official functions or hold a political post nor does he have any permanent management/consultancy functions for significant domestic and foreign interest groups.

Corporate Governance Report



Urs Wietlisbach

co-founded Partners Group in 1996. He is an executive member of Partners Group Holding AG's Board of Directors and Chairman of the Markets Committee, based in Zug. He has 28 years of industry experience. Prior to founding Partners Group, he worked at

Goldman Sachs & Co. and Credit Suisse. He holds a master's degree in business administration from the University of St. Gallen (HSG), Switzerland. He is a member of the Board of Directors of Princess Private Equity Holding Limited, a Partners Group investment holding. He is also a Board member of PG Impact Investments AG and of PG Impact Investments Foundation, a foundation that focuses on impact investing globally. In addition, he is a member of the Board of Directors of Entrepreneur Partners AG, a Swiss asset manager, and PG3 AG, Switzerland, the family office of the founders of Partners Group, as well as an advisory Board member of Swiss Startup Factory AG, an independent organization that supports and finances startups.

Organizational changes to the Board of Directors

On 18 November 2015, the Board of Directors announced its plan to nominate Michelle Felman as an Independent Board member. She was elected to the Board of Directors at the Annual General Meeting of shareholders on 11 May 2016.

3.2. Other activities and vested interests

Please see note 3.1.

3.3. Ordinance against excessive compensation in listed joint stock companies – Number of mandates pursuant to the OaEC

The ordinance against excessive compensation in listed joint stock companies ("OaEC") inter alia obliges listed joint stock companies to annually submit the Board of Directors' and executive management's compensation to shareholders for a binding vote. The OaEC also contains new rules on corporate governance with direct effects on the Board of Directors, management, shareholders and independent proxies. At the Annual General Meeting on 13 May 2015, shareholders approved a revised version of the firm's articles of association comprising the changes as required by the OaEC and as proposed by the Board of Directors, respectively.

Pursuant to art. 12 para. 1 of the OaEC, the firm's articles of association must contain the maximum number of permitted mandates outside of Partners Group Holding. Art. 24 of the

articles of association states that each member of the Board of Directors may assume no more than four additional mandates in listed corporations and no more than five additional mandates in other legal entities. Exempt from this limitation are the following mandates: mandates in legal entities controlled by the Company or controlling the Company; mandates that are carried out on behalf of or as directed by the Company or any of its controlled companies in legal entities that are not part of the group, whereby each member of the Board of Directors may assume no more than ten of such mandates; mandates in associations, non-profit organizations, foundations, trusts, and employee pension foundations, whereby each member of the Board of Directors may assume no more than ten of such mandates; and mandates in legal entities serving the sole purpose of managing private assets, whereby each member of the Board of Directors may assume no more than ten of such mandates.

The term "mandate" as used in the articles of association includes activities within other superior governing or administrative bodies of legal entities that are obliged to register themselves in the Swiss commercial registry or a corresponding foreign registry. Mandates in several legal entities that are under joint control or joint beneficial ownership, are considered one mandate.

3.4. Elections and terms of office

The Board of Directors consists of at least three members. All members as well as the Chairman of the Board of Directors are elected individually at the shareholders' meeting, for a term of one year in accordance with the OaEC. The years each member of the Board of Directors was first appointed are listed in the table at the beginning of this section. Re-election is possible.

3.5. Internal organizational structure

The Board of Directors has adopted written internal regulations for the management of the company and of its subsidiaries pursuant to art. 716b of the Swiss Code of Obligations, the rules of the SIX Exchange Regulation, the company's articles of association and the Swiss Federal Act on Collective Investment Schemes.

The Board of Directors has ultimate responsibility for the management of Partners Group Holding. Please see the table at the beginning of this section for information on the allocation of tasks within the Board of Directors.

Once a year, during the first Board meeting following the Annual General Meeting of shareholders, the Board of Directors appoints its secretary, who needs not be a member of the Board of Directors. The Board of Directors meets as often as business

Corporate Governance Report

requires, but no less than four times a year as set forth in the company's Rules of the Organization and of Operations (the "Rules"; Organisationsreglement); in 2016, six meetings were held, which lasted between three and eight hours each. The Board of Directors can deliberate if the majority of its members are present. Resolutions are adopted with the majority of the votes of the members present. In the event of a tie, the Chairman casts the deciding vote. Resolutions by circular letter require the absolute majority of all members of the Board of Directors unless higher quorums are provided by applicable provisions.

The Board of Directors has established further committees to promulgate and monitor related directives and policies: the Risk & Audit Committee, the Nomination & Compensation Committee, the Strategy Committee, the Markets Committee and the Investment Oversight Committee. Each committee advises the Board of Directors on the matters specified below, often with the assistance of the Executive Committee and others involved in the management of Partners Group Holding. The members and Chairs of these committees are determined by the Board of Directors, apart from the members of the Nomination & Compensation Committee who are elected individually at the Annual General Meeting for a term of one year in accordance with the OaEC. Please see the table at the beginning of this section for the composition of these committees.

Any of the committee members may call committee meetings. In order for resolutions to be valid, the majority of a committee's members must be present (physically or by phone/video conference) at the meeting or the resolution must be adopted by way of a circular resolution.

Risk & Audit Committee

The Risk & Audit Committee is in charge of ensuring the diligent performance of internal and external auditing as well as financial controlling in addition to performing other tasks related to risk management. In particular, the Risk & Audit Committee (i) approves internal audit's organization and tasks, (ii) orders the performance of specific audits, (iii) supervises internal audit's activities, (iv) ensures the execution of the external audit, (v) monitors the financial review processes and (vi) ensures the review of the management and internal control processes. The role of the Risk & Audit Committee is primarily supervisory and its decision making authority is limited to those areas which are ancillary to its supervisory role (see also section 3.7.1.5). As of 31 December 2016, the members of the Risk & Audit Committee were Dr. Eric Strutz (Chair), Alfred Gantner and Dr. Peter Wuffli. The Risk & Audit Committee held four meetings in 2016, which each lasted approximately two to four hours. In addition, the external auditors attended all meetings of the

Risk & Audit Committee in 2016. The majority of the committee members were present at all meetings.

Nomination & Compensation Committee

The Nomination & Compensation Committee advises and supports the Board of Directors in particular with regard to the determination of the compensation system and principles, as well as with regard to the nomination of members of the Board of Directors and the promotion of executive officers of the company or its controlled companies, as applicable. It assesses the compensation proposals for the company or its controlled companies, respectively, with regard to compliance with the determined principles. It also prepares the Compensation Report and the motions to be submitted to the shareholders' meeting on the Board of Directors' and the executive management's compensation. The Board of Directors may assign further tasks, responsibilities and powers in compensation and nomination matters to the Nomination & Compensation Committee. As of 31 December 2015, the members of the Nomination & Compensation Committee were Grace del Rosario-Castaño (Chair), Dr. Peter Wuffli and Steffen Meister. The Nomination & Compensation Committee held three meetings in 2016, which each lasted approximately two to three hours, to discuss the annual compensation for the Board of Directors and the Executive Committee as well as to confirm the overall compensation policy. All committee members were present at all meetings.

Strategy Committee

The Strategy Committee directs the firm's major strategic initiatives and advises the Board of Directors in particular on major business, corporate and organizational initiatives within the current set of guidelines and practices. It further oversees fundamental initiatives in terms of the firm's human capital development, financial planning and use of financial resources. As of 31 December 2016, the members of the Strategy Committee were Dr. Peter Wuffli (Chair), Dr. Marcel Erni, Alfred Gantner, Urs Wietlisbach and Steffen Meister. The Strategy Committee held seven meetings in 2016, which each lasted approximately three to four hours. The majority of the meetings were attended by all members.

Markets Committee

The Markets Committee coordinates global marketing and (key) client activities, drives strategic fundraising initiatives and identifies new key product and fundraising themes. In addition, it oversees the coverage of the firm's key client prospects, the global consultant network, the firm's global public relations strategy as well as its advisory network. As of 31 December 2016, the members of the Markets Committee were Urs Wietlisbach (Chair), Dr. Charles Dallara, Patrick Ward and

Corporate Governance Report

Steffen Meister. The Markets Committee held six meetings in 2016 which lasted approximately two hours each. The majority of the meetings were attended by all members.

Investment Oversight Committee

On 9 March 2016, the Board decided to form an additional Committee, the Investment Oversight Committee. The Investment Oversight Committee provides advice and support to the Board of Directors, the management and the Investment Committees with regard to the assessment of quality and consistency of decision processes, the investment performance achieved, the realization of the projected appreciation on individual investments, and the investment risks incurred. It defines quality standards and measurement methods and proposes any measures that may be required. As of 31 December 2016 the members of the Investment Oversight Committee are Michelle Felman (Chair), Grace del Rosario-Castaño, Dr. Marcel Erni and Alfred Gantner. Dr. Peter Wuffli. The Investment Oversight Committee held two meetings in 2016, including a constitutive meeting which lasted approximately one hour and a regular meeting which lasted approximately seven hours. The majority of the committee members were present at all meetings.

3.6. Definition of areas of responsibility

The Board of Directors has delegated the day-to-day management of Partners Group to the Executive Committee unless provided otherwise by law, the articles of association or as described below. The Board of Directors has the right to issue specific rules for this purpose and to form the respective committees to determine the principles of the business policy, the risk policy of the various business sectors, as well as the authority and responsibilities of each of the company's bodies. The positions of Chairman of the Board of Directors and of the Co-Chief Executive Officers are held by separate people, thus ensuring a system of internal checks and balances and an independence of the Board of Directors from the day-to-day management of the company.

Apart from the non-transferable functions mentioned in the law and in the articles of association, the Board of Directors has a number of additional duties and powers, including (among others) resolutions regarding essential features of the group's organization, all transactions in connection with real estate (outside of investment activities), the establishment of employment conditions, all activities pertaining to the shareholder register, acceptance and handling of audit reports and budgets, and the periodic review of the internal organization. Responsibilities delegated to the Executive Committee of Partners Group Holding are set forth in the

company's Rules. The delegated responsibilities are the following:

1. Direct management as well as continual monitoring of business activities within the scope of and in line with the regulations, guidelines, competencies, individual resolutions and restrictions imposed by the Board;
2. Conclusion of transactions provided these lie within the limits as determined by the Rules and particularly by the determined authorities and responsibilities set forth in the Rules or by the regulations, guidelines, competencies, individual resolutions and restrictions imposed by the Board of Directors;
3. Establishing subsidiaries and founding new group companies (branches);
4. Developing and issuing directives, policies and job descriptions for employees to the extent that such tasks are not reserved to the Board of Directors;
5. Employment and termination of employees within the authorities and responsibilities set forth in the Rules;
6. Initiating legal actions and concluding settlements according to the authorities and responsibilities set forth in the Rules;
7. Organization, management and implementation of accounting, financial planning and reporting, including preparation of the company's management report and annual financial statements for the attention of the Board of Directors;
8. Preparation of the budget for the attention of the Board;
9. Execution of the Board of Directors' resolutions;
10. Organizing, assisting and coordinating the employment benefit plans;
11. Organizing insurance management;
12. Organizing risk management as well as implementing and monitoring the internal control system and compliance;
13. Informing the senior management of relevant resolutions made by the Board of Directors and the Executive Committee;
14. Proposals for all transactions that have to be submitted to the Board of Directors according the Rules and the authorities and responsibilities set forth in the Rules;
15. Exercising the company's shareholder rights as a shareholder within group companies, including the entitlement to vote on the composition of the members of

Corporate Governance Report

management, accepting the annual financial statements and matters related to this.

3.7. Information and control instruments vis-à-vis the senior management

The Board of Directors is kept informed of the activities of the Executive Committee through a number of information and control instruments. The Co-Chief Executive Officers, Chief Financial Officer, Chief Operating Officer and respective operating officers with line management functions are in a regular dialogue with the Delegate of the Board of Directors regarding the general course of business, the financial situation of the company and any developments or events of importance to the company and its business. In the event of extraordinary incidents or developments, the Executive Committee notifies the Chairman of the Board without delay.

The Executive Committee submits decisions beyond the scope of ordinary management or decisions that carry major implications to the relevant Board Committee or Board of Directors, including (but not limited to) decisions specifically reserved for the relevant Board Committee or Board of Directors.

3.7.1. Group risk governance

3.7.1.1. Scope and elements

Partners Group identifies, assesses and monitors risks and controls risk management processes on an aggregate consolidated basis for all business activities across the organization. Partners Group's risk governance framework comprises the following elements:

- Risk management;
- Risk control and audit; and
- Strategy risk control.

Responsibilities for each element are separated as illustrated on the following page.

3.7.1.2. Executive Committee

The ongoing risk management of Partners Group's activities is delegated to the Executive Committee. In establishing appropriate processes regarding risk management, the Executive Committee shall distinguish between:

- the group operational risk management;
- the group legal and regulatory risk management (compliance); and
- the group financial risk management.

Within these categories, the Executive Committee sets qualitative and quantitative standards consistent with the risk appetite in Partners Group's business activities by issuing appropriate policies or otherwise. Risk identification and categorization is explained in more detail in section 3.7.2.3.

Partners Group's management has established an operational Internal Control System (ICS) and maintains an internal control structure that monitors compliance with established policies and procedures. The ICS is established and refreshed based on assessment of the risks facing Partners Group. Partners Group selects and develops control activities that contribute to the mitigation of risks.

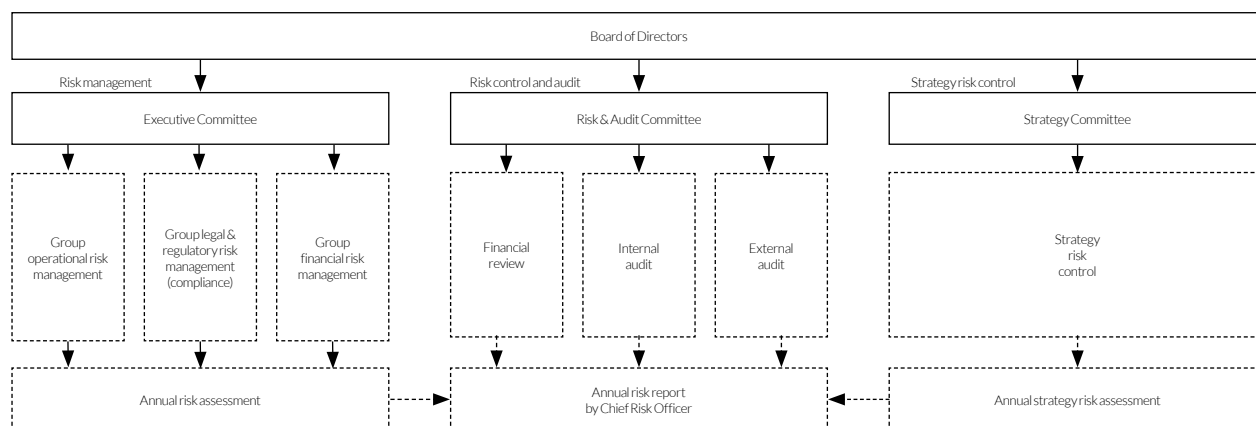
The ICS consists of the following three pillars: (i) a risk management culture which is embedded in the operational activities of the business teams, with the core responsibility for the implementation, effectiveness and documentation of the controls lying with the respective Business Department Heads; (ii) the oversight and monitoring of Group Processes which is ensured by the respective operating officers with line management responsibilities, along with a risk assessment which is performed by the Chief Risk Officer and the Executive Committee, and compliance spot checks which are ensured by the General Counsel; and (iii) Group Internal Audit as a (business and operations) independent function which periodically verifies and assesses the ICS, thus contributing to its improvement.

Overall responsibility for the ICS lies with the senior management of Partners Group. In addition, the Board of Directors carries out its oversight responsibilities by defining, maintaining, and periodically evaluating the skills and expertise needed among its members to enable them to ask probing questions of senior management and take commensurate actions. The Board of Directors retains oversight responsibility for management's design, implementation, and the conduct of internal control with respect to the individual components of internal control: control environment, risk assessment, control activities, information and communication and monitoring activities.

Partners Group has engaged PricewaterhouseCoopers AG ("PwC") to report on the suitability of the design of the ICS as well as the operating effectiveness of the control activities related to its investment management services, in accordance with the International Standard on Assurance Engagements 3402 ("ISAE 3402") issued by the International Auditing and Assurance Standards Board. In 2016, Partners Group has issued an ISAE 3402 Type II controls report with no qualification relating to its investment management services as of year-end 2015 and thereby confirming the operational effectiveness of the controls.

Corporate Governance Report

Partners Group's risk governance framework



3.7.1.3. Risk & Audit Committee

Within the Board of Directors, the Risk & Audit Committee is responsible for the review of the risk profile of Partners Group and for ensuring appropriate processes regarding the ongoing group risk control and audit are in place, relating specifically to:

- the financial reviewing;
- the internal auditing; and
- the external auditing.

The Risk & Audit Committee's responsibilities are further defined in the Rules of the Organization and of Operations (ROO) for Partners Group Holding.

Group Internal Audit supports the Board of Directors, the Risk & Audit Committee and the Executive Committee of the company in their supervisory and risk management tasks. In doing so, Group Internal Audit provides an independent view based on objective analysis regarding material risks and quality issues at Partners Group and develops and suggests recommendations for improvement. Group Internal Audit reports to the Chairman of the Board of Directors and works closely with the Chairman of the Risk & Audit Committee as well as the Executive Committee. The scope, responsibilities, tasks and priorities of Group Internal Audit are regularly discussed with and approved by the Risk & Audit Committee and are reflected in the Group Internal Audit Directive.

The International Standards for the Professional Practice of Internal Auditing as well as the Definition of Internal Auditing and Code of Ethics guide the Group Internal Audit practice.

3.7.1.4. Strategy Committee

Within the Board of Directors, the Strategy Committee is responsible for identifying and assessing strategic and business

risks and establishing appropriate processes for the group's strategy risk control. The Strategy Committee's responsibilities are further defined in the Rules of the Organization and of Operations (ROO) for Partners Group Holding.

3.7.1.5. Risk Control Function

To support the risk governance bodies set out above (under sections Executive Committee, Risk & Audit Committee and Strategy Committee), Partners Group has established a Risk Control Function currently carried out by the CRO. From time to time, the Executive Committee shall propose amendments to the Risk Control Function to the Board, thereby ensuring that the function is allocated adequate resources and authority, in line with the size and complexity of the business and organization, as well as the risk profile of Partners Group.

As an independent controlling function, the Risk Control Function includes the following responsibilities:

- Supporting the Risk & Audit Committee and the Board in reviewing the risk profile (risk policy, risk appetite and risk limits) of the organization;
- Collecting, consolidating and assessing risk information from within the organization to enable the Risk & Audit Committee and the Board to supervise Partners Group's risk profile;
- Monitoring Partners Group's risk profile by defining and procuring the implementation of adequate systems and methods for risk supervision, and adjusting such systems and methods to new business lines and products;
- Supervising the adequacy and effectiveness of the organization's systems for risk management in light of Partners Group's risk profile.

Corporate Governance Report

The Head of the Risk Control Function has unrestricted access to the Executive Committee and a direct reporting line to the Co-CEOs. Unrestricted access to information, locations and documents is also granted within the scope of the Risk Control Function.

The Head of the Risk Control Function typically reports to the Executive Committee every six months or on an ad-hoc basis, as needed. The Head informs the Risk & Audit Committee about their activities and findings at the Committee's regular meetings. In between meetings, the Chairman of the Risk & Audit Committee and the Head of the Risk Control Function liaise to prepare meetings and address specific issues on an ad-hoc basis.

On an annual basis, the Head of the Risk Control Function shall provide a risk report to the Board of Directors comprising the risk assessments of the Executive Committee, the Risk & Audit Committee and the Strategy Committee.

3.7.1.6. Conflict resolution

Partners Group strives to avoid situations that result in conflicts of interest. However, in certain situations conflicts cannot be avoided and for such instances the Conflict Resolution Board has been appointed by the group companies as the governing committee for handling all relevant conflicts of interest within the group. As of 14 March 2016, the members of the Conflict Resolution Board are Board member and Chairman of the Risk & Audit Committee Dr. Eric Strutz (Chair), Steffen Meister (Delegate of the Board of Directors) and Andreas Knecht (Chief Operating Officer and General Counsel).

3.7.2. Risk management process

3.7.2.1. Objectives

Partners Group's risk management is an ongoing process under the leadership and supervision of the Executive Committee which want to ensure that:

- Risk is consistently and comprehensively identified, measured, monitored and reported across all of its businesses, locations and risk types;
- Risk is monitored in a coordinated way within clear roles and responsibilities;
- Risk is within Partners Group's risk appetite; and
- Risk is governed by the appropriate Partners Group bodies and functions in order to provide reasonable assurance regarding the achievement of Partners Group's objectives.

Risk identification, measurement, monitoring and reporting is addressed by dedicated and tailored risk management processes.

3.7.2.2. Responsibilities

The coordination and implementation of Partners Group's operational risk management is the responsibility of each Department Head for his/her business or staff department. Adherence to the internal core processes is based on compliance with the applicable directives, policies and instructions issued by the Executive Committee.

The coordination and implementation of Partners Group's legal and regulatory risk management is the responsibility of the General Counsel. Adherence to the firm's core instructions is based on compliance with applicable directives, policies and instructions issued by the Executive Committee.

The coordination of the financial risk management is the responsibility of the CFO. Financial controls are based on the internal control system for finance and a dedicated Management Information System ("MIS").

Corporate Governance Report

3.7.2.3. Risk identification and categorization

Within the responsibility of the Executive Committee, the Board of Directors has identified the following main risk categories for Partners Group's business activities:

- **Strategic and business risks** refer to those risks that could cause Partners Group's business vision and strategic direction to become unfeasible, that could cause Partners Group to lose its competitiveness and that could erode the firm's business profitability due to changes in the environment, failures in the firm's choice or execution of strategy, or other reasons. These risks are inherent to Partners Group's business model and dependent on how well this is adapted to the business environment in which the firm competes.
- **Investment risks** refer to the risk that assets might underperform and also consider a potential loss of an investment made on behalf of Partners Group's clients. They further include the risk of significant concentration of specific investments in client portfolios. These risks could cause the erosion of Partners Group's track record and impact the firm's competitiveness for future client demand and its potential to generate future performance fees.
- **Operational risks** are those risks that could cause Partners Group to suffer a loss directly or indirectly from inadequate or failed internal processes, people, systems or external events. They are inherent to all of Partners Group's business and support activities, and comprise a large number of disparate risks including losses resulting from events such as human error, IT failures, and fraud.
- **Compliance risks** refer to the risk of non-compliance with legal and regulatory requirements, rules of professional conduct as well as common standards and Partners Group's own standards. They are inherent to all of Partners Group's business and support activities and dependent on the awareness of applicable laws, rules and regulations and their application and enforcement.

Risk management and control of obligations directly related to external parties/regulators is based on the firm's Product Obligations and Procedures (POPs) and Regulatory Obligations and Procedures (ROPs) task control system, which consists of an electronic task list with which adherence to all major corporate regulatory/legal and contractual requirements is automatically monitored and documented.

Compliance risks are monitored by Partners Group's Compliance team and regularly reported to the Risk and

Audit Committee by the General Counsel and Head of Global Compliance.

Risk management and risk control related to key operational internal processes is covered by Partners Group's Operational Internal Control System which is described in the Operational Internal Control System Directive.

- **Financial risks** are risks of loss of financial resources that could affect Partners Group's profit and loss statement or balance sheet. They comprise credit risks, liquidity risks and market risks.

(a) Credit risks refer to the possibility that Partners Group may suffer a loss from the failure of counterparties and customers to meet their financial obligations, including failing to meet them in a timely manner. Credit risks arise as a result of activities that support Partners Group's business model.

(b) Credit risks are monitored and controlled by the CFO and are reported on in a timely manner to the Risk & Audit Committee.

(c) Liquidity risks refer to the risk that Partners Group may not have sufficient financial resources to meet its financial obligations when these fall due.

The coordination and monitoring of the liquidity risk is the responsibility of the CFO, based on a risk framework established by the CRO and CFO. The cash flow forecasting (including adapting the dividend policy) is discussed on a regular basis in the Risk & Audit Committee.

- **Market risks** refer to the possibility that Partners Group may suffer a loss resulting from the fluctuations in the values of, or income from, proprietary assets and liabilities. As an asset manager, Partners Group does not deliberately seek exposure to market risks to generate profit as this is not the central business of Partners Group.

The market risk management process aims to ensure that all market risks undertaken by Partners Group's own account are identified, measured, monitored and controlled at all times. This is achieved by applying suitable, comprehensively documented risk measures. The trading book is monitored on a daily basis and periodically reported on to the Risk & Audit Committee by the CRO.

- **Reputational risks** can result from events in any of the above mentioned risk categories. Hence, this type of risk is measured through the business risk framework and monitored on an ongoing basis by the Executive Committee.

Corporate Governance Report

3.7.2.4. Additional activities in relation to investment risk management for clients

Scope and elements

Partners Group identifies, assesses and monitors risks and controls risk management processes on an aggregate consolidated basis for all activities in relation to investment activities for clients.

Partners Group's investment risk governance framework comprises the following elements:

(a) Risk management in relation to single investments.

Responsibilities are highlighted below:

- Investment selection and allocation: Investment Committees,
- Investment monitoring: as applicable, Fund Review Committee, Operational Value Creation Committee and Investment Committees,
- Direct asset valuation: Valuation Committees.

Further details on the purpose and powers of the respective committees are highlighted in the relevant policies and directives.

(b) Risk management in relation to portfolio risk management.

Responsibilities are highlighted below:

- Assessment of macro and strategy risks: Relative Value Committees,
- Asset allocation and portfolio implementation: Global Portfolio Strategy Committee,
- Portfolio investment risks: Risk Consideration Group.

Further details on the purpose and powers of the respective committees are highlighted in the relevant policies and directives.

(c) Investment process oversight

Within the Board of Directors the responsibility to oversee processes in relation to investment activities for clients rests with the Investment Oversight Committee (IOC). The IOC provides i) advice and support to the Board in relation to investment risks incurred and ii) oversight of investment and value creation processes. The IOC monitors and improves the quality of the investment and decision-making process. It supports efforts to prevent severe setbacks to Partners Group's track record, develops a consensus on investment-related issues and risks and provides guidance to investment committees. In addition, the IOC monitors track record sensitivities and oversees the monitoring, value creation

and board work performed on direct investments. The IOC's responsibilities are further defined in the Rules of the Organization and of Operations (ROO) for Partners Group Holding AG.

Corporate Governance Report

4. Executive Committee

The table below shows the current composition of the Executive Committee:

Name	Joined Partners Group in	Nationality	Age	Position
André Frei	2000	Swiss	41	Co-Chief Executive Officer
Christoph Rubeli	1998	Swiss	55	Co-Chief Executive Officer
Claude Angéloz	2000	Swiss	49	Head Private Real Estate ¹⁾
Andreas Baumann	2003	Swiss	44	Head Integrated Investments
René Biner	1999	Swiss	46	Co-Head Investments ²⁾
Felix Haldner	2001	Swiss	53	Head Investment Structures
Andreas Knecht	2009	Swiss	47	Chief Operating Officer and General Counsel
Marlis Morin	2003	Swiss/Italian	46	Head Client Services
Stefan Näf	2000	Swiss	43	Head Investment Solutions
Dr. Stephan Schäli	1999	Swiss	48	Co-Head Private Equity
Dr. Michael Studer	2001	Swiss	44	Chief Risk Officer and Head Investment Services
Dr. Cyrill Wipfli	2002	Swiss	43	Chief Financial Officer

¹⁾ Co-Head Private Real Estate & Head Private Real Estate Europe until 31 December 2016.

²⁾ Co-Head Private Debt until 31 December 2016.

4.1. Members of the Executive Committee

As mentioned in section 3.6 above, the Board of Directors has delegated the operational management of the company to the Executive Committee, unless otherwise required by law, the articles of association or otherwise defined in section 3.6. Next to day-to-day investment and client activities, the Executive Committee considers firm-wide and cross-departmental aspects, such as human resources, compliance with legal and regulatory requirements and salary steering.

History and education of each member of the Executive Committee, including other activities and functions



André Frei

is the Co-Chief Executive Officer of Partners Group, based in Zug. Together with Christoph Rubeli, he leads the Executive Committee and the Global Executive Board. He has been with Partners Group since 2000 and has 17 years of industry experience. Previously,

he served as the Chief Risk Officer of Partners Group between 2008 and 2013 and he was the Head of the Client

Services business department. He holds a master's degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland. He is also a CFA charterholder.



Christoph Rubeli

is the Co-Chief Executive Officer of Partners Group, based in Zug and Singapore. Together with André Frei, he leads the Executive Committee and Global Executive Board. He is a member of the Global Investment Committee. He has been with Partners Group since

1998 and has 31 years of industry experience. Prior to joining Partners Group, he worked at UBS. He holds an MBA from INSEAD Paris, France.

Corporate Governance Report



Claude Angéloz

is Head of the Private Real Estate business department, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He is a member of the Private Real Estate Directs Investment Committee, the Private Real Estate Secondaries

Investment Committee and the Private Real Estate Primaries Investment Committee. He has been with Partners Group since 2000 and has 25 years of industry experience. Prior to joining Partners Group, he worked at Credit Suisse Financial Products and Credit Suisse. He holds a master's degree in business administration from the University of St. Gallen (HSG), Switzerland.



Andreas Baumann

is Head of the Americas and Head of the Integrated Investments business unit, based in New York. He is a member of the Executive Committee and the Global Executive Board. He is a member of the Global Investment Committee and Chairman of the Private Equity

Primaries North America Investment Committee. He has been with Partners Group since 2003 and has 19 years of industry experience. Previously, he was Head of Partners Group's Singapore office and was responsible for the firm's Asia-Pacific private equity investment activities between 2010 and 2014. Prior to that he was part of the Private Equity Directs and Primaries Americas business unit between 2003 and 2010, based in New York. Before joining Partners Group, he worked at Sinoart (USA) Inc., Sichuan EW Textile Co. Ltd. and ICPC Trading Inc. He holds an MBA from the New York University Stern School of Business.



René Biner

is Co-Head of Investments at Partners Group, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He is a member of the Global Investment Committee. He has been with Partners Group since 1999 and has 23 years of industry

experience. Prior to joining Partners Group, he worked at PricewaterhouseCoopers. He holds a master's degree in economics and business administration from the University of Fribourg, Switzerland. He is also a Swiss certified public accountant.



Felix Haldner

is Head of the Investment Structures business department, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He has been with Partners Group since 2001 and has 29 years of industry experience. Prior to joining Partners

Group, he worked at PricewaterhouseCoopers. He holds a master's degree in business law from the University of St. Gallen (HSG), Switzerland. He is also admitted to the Swiss bar and is a certified Swiss tax expert. He is President of the Swiss Funds' and Asset Management Association and sits in the Tax, Legal & Regulatory Committee of Invest Europe.



Andreas Knecht

is the Chief Operating Officer of Partners Group, based in Zug. He is Head of Corporate and Services, Head of the Corporate Operations business department, and General Counsel of Partners Group. He is a member of the Executive Committee and the

Global Executive Board. He has been with Partners Group since 2009 and has 21 years of industry experience. Prior to joining Partners Group, he worked at a number of different law firms, including Niederer Kraft & Frey and at Man Group. He holds a master's degree in law from the University of Zurich, Switzerland and an LLM from New York University. He is also admitted to the Swiss bar.



Marlis Morin

is Head of the Client Services business department, based in Zug. She is a member of the Executive Committee and the Global Executive Board. She has been with Partners Group since 2003 and has 23 years of industry experience. Prior to joining Partners Group, she

worked at Credit Suisse Asset Management Funds, Raiffeisen Landesbank Suedtirol and Raiffeisenkasse Eisacktal. She holds a master's degree in international economics and business studies from the University of Innsbruck, Austria and Marquette University, Wisconsin.

Corporate Governance Report



Stefan Näf

is Head of the Investment Solutions business department and Co-Head of the Investment Solutions Europe and Middle East business unit, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He has been with Partners Group

since 2000 and has 21 years of industry experience. Previously, he was Head of the European Investment Solutions business unit where he founded the London office and prior to that, he was part of the Private Equity Directs and Primaries business unit, based in Zug. Prior to joining Partners Group, he worked at the European Institute for Risk Management (EIRM). He holds a master's degree in banking and finance from the University of St. Gallen (HSG), Switzerland.



Dr. Stephan Schäli

is Co-Head of the Private Equity business department and Co-Head of the Private Equity Secondaries business unit, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He is a member of the Global Investment Committee and

the Chairman of the Global Portfolio Strategy Committee and the Private Equity Secondaries Investment Committee. He has been with Partners Group since 1999 and has 20 years of industry experience. Prior to joining Partners Group, he worked at UBS and Goldman Sachs & Co. He holds an MBA from the University of Chicago, Booth School of Business, Illinois and a PhD in business administration from the University of St. Gallen (HSG), Switzerland.



Dr. Michael Studer

is the Chief Risk Officer of Partners Group and Head of the Investment Services business department, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He is a member of the Global Investment Committee. He has been

with Partners Group since 2001 and has 21 years of industry experience. He holds a PhD in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.



Dr. Cyrill Wipfli

is the Chief Financial Officer of Partners Group, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He has been with Partners Group since 2002 and has 21 years of industry experience. Prior to joining Partners Group, he worked at

McKinsey & Co., Venture Capital Finance and the Swiss Federal Committee for Technology and Innovation. He holds a PhD in finance and banking from the University of St. Gallen (HSG), Switzerland.

Organizational changes to senior management

In 2016, there were no changes to the members of the Executive Committee. However, four adjustments to individual roles were made: André Frei became Head Clients. Stephan Schäli co-headed the Private Equity business department together with David Layton, Partner and member of the Global Executive Board. In addition to his role as Co-Head Investments, René Biner replaced Juri Jenkner, who took over the Private Infrastructure business department, as Co-Head Private Debt alongside Scott Essex, Partner and member of the Global Executive Board. Andreas Knecht, General Counsel, was appointed Chief Operating Officer, Head of Corporate and Services and Head of the Corporate Operations business department. He continued to be the General Counsel.

4.2. Other activities and vested interests

Felix Haldner is President of the Swiss Funds' and Asset Management Association and sits in the tax, legal & regulatory committee of the European Private Equity and Venture Capital Association (EVCA). Other than that, none of the members of the Executive Committee is a member of a governing or supervisory body of important Swiss or foreign organizations outside of Partners Group. None of the members of the Executive Committee hold permanent management or consultancy functions for important Swiss or foreign interest groups, and none of the members have official functions or hold political posts. None of the members of the Executive Committee have carried out tasks for Partners Group prior to joining the firm, except Felix Haldner, who acted for Partners Group in a consultant capacity during his employment at PricewaterhouseCoopers 16 years ago.

Corporate Governance Report

4.3. Number of mandates pursuant to the OaEC

Pursuant to art. 12 para. 1 of the OaEC, the firm's articles of association must contain certain rules on the number of permitted mandates outside of Partners Group Holding. Art. 28 of the articles of association states that each member of the executive management may assume no more than one additional mandate in listed corporations and no more than four additional mandates in other legal entities. The other provisions under art. 24 of the articles of association as referred to in section 3.3 above apply mutatis mutandis.

4.4. Management contracts

Partners Group Holding has not entered into any management contracts with companies or individuals not belonging to the group. Furthermore, the firm or its affiliates may enter into employment contracts with members of the executive management with a limited term of up to one year or employment contracts for an indefinite duration with a notice period of no more than twelve months.

Corporate Governance Report

5. Global Executive Board

In addition to the Executive Committee members, the Global Executive Board includes the following members:

Name	Joined Partners Group in	Nationality	Age	Position
Pamela Alsterlind	2007	American	53	Head Private Real Estate Asset Management ¹⁾
Scott Essex	2007	American	44	Co-Head Private Debt
Gonzalo Fernandez Castro	2012	Argentine	43	Private Equity Americas
Juri Jenkner	2004	German	41	Co-Head Private Infrastructure
Sergio Jovele	2005	Italian	47	Co-Head Investment Solutions Europe & Middle East
David Layton	2005	American	35	Co-Head Private Equity ²⁾
Kevin Lu	2014	Chinese	43	Chairman of Asia and Head Investment Solutions Asia
Amelia Räss-Fernandez	2016	Swiss	50	Head Human Resources
Raymond Schnidrig	2010	Swiss	48	Chief Technology Officer
Martin Scott	2008	Australian	43	Head Investment Solutions Australia

¹⁾ Co-Head Private Real Estate and Head Private Real Estate Americas until 31 December 2016.

²⁾ Co-Head of Private Equity Europe as of 1 January 2017.

Established on 1 January 2015, the Global Executive Board is a diverse global leadership team at group level, charged with driving forward the global business and corporate development of the firm. Members include Partners and Managing Directors from different business lines across the firm's offices in São Paulo, Denver, New York, London, Singapore and Sydney, as well as its headquarters in Zug, Switzerland. The team works closely with the firm's Executive Committee. Executive Committee members are also members of the extended Global Executive Board (see also section 4.1 above).

In 2016 Juri Jenkner, Partner, member of the Global Executive Board and former Co-Head Private Debt, moved to co-head the Private Infrastructure business department together with Brandon Prater, Partner, in order to support the team's growth ambitions. Juri replaced Brandon in the Global Executive Board. As a result, the Private Debt business department is now co-headed by Scott Essex, Partner and member of the Global Executive Board, and René Biner. David Layton, Partner, former Head Private Equity Americas, co-heads the Private Equity business department together with Stephan Schäli. Joel Schwarz, Managing Director replaced David Layton as Head Private Equity Americas. Amelia Räss-Fernandez, Managing Director, who joined the firm as Head Human Resources, replaced Lukas Bucher in the Global Executive Board. Lukas transferred internally to the Industry Value Creation team.

Members of the Global Executive Board



Pamela Alsterlind

is Head of the Private Real Estate Asset Management business unit, based in Denver. She is a member of the Global Executive Board and the Global Investment Committee. She is a member of the Private Real Estate Directs Investment Committee, the Private

Real Estate Primaries Investment Committee and the Private Real Estate Secondaries Investment Committee. She has been with Partners Group since 2007 and has 29 years of industry experience. Prior to joining Partners Group, she worked at Kenneth Leventhal & Co., Ernst & Young LLP, Prudential Realty Group and Pension Consulting Alliance, Inc. She holds an MBA in finance and marketing from the University of Michigan Stephen M. Ross School of Business.



Scott Essex

is Co-Head of the Private Debt business department and Head of the Private Debt Americas business unit, based in New York. He is a member of the Global Executive Board. He is a member of the Global Investment Committee and the Chairman of the Private Debt

Investment Committee. He has been with Partners Group since 2007 and has 17 years of industry experience. Prior to joining

Corporate Governance Report

Partners Group, he worked at GE Capital and Lazard Ltd. He holds an MBA from the Georgetown University McDonough School of Business, Washington, D.C.



Gonzalo Fernandez Castro

is Head of the Latin American Private Equity team and Head of Partners Group's São Paulo office. He is a member of the Global Executive Board. He is a member of the Private Equity Primaries Asia-Pacific and Emerging Markets Investment Committee and

the Private Equity Directs Investment Committee. He has been with Partners Group since 2012 and has 20 years of industry experience. Prior to joining Partners Group, he worked at Lumix Capital, Adecco, Jacobs Holdings, LID Group and McKinsey. He holds an MBA from Harvard Business School, Massachusetts and an industrial engineering degree from the Buenos Aires Institute of Technology, Argentina.



Juri Jenkner

is Co-Head of the Private Infrastructure business department, based in Zug. He is a member of the Global Executive Board, the Global Investment Committee and the Private Infrastructure Investment Committee. Previously, he served as Co-Head of the Private Debt business

department and Head of the European Private Debt business unit. He has been with Partners Group since 2004 and has 17 years of industry experience. Prior to joining Partners Group, he worked at Privatbankiers Merck Finck & Co. He holds a master's degree in finance from the Lorange Institute of Business Zurich, Switzerland. He is also a certified European financial analyst.



Sergio Jovele

is Head of Partners Group's London office and Co-Head of the Investment Solutions Europe and Middle East business unit. He is a member of the Global Executive Board. He has been with Partners Group since 2005 and has 17 years of industry experience.

Prior to joining Partners Group, he worked at Initiative Europe on private equity research assignments. He has published academic papers on American literature and holds a master's degree in literature from the Istituto Universitario Orientale di Napoli, Italy.



David Layton

is Co-Head of the Private Equity business department and Co-Head of the European Private Equity business unit, based in Denver. He is a member of the Global Executive Board and the Global Investment Committee. He is a member of the Private Equity Directs

Investment Committee and the Private Equity Primaries North America Investment Committee. Previously, he was the Head of Private Equity for the Americas. He has been with Partners Group since 2005 and has 14 years of industry experience. He has represented Partners Group on the Board of Directors of several portfolio companies. He holds a bachelor's degree in finance from Brigham Young University's Marriott School of Management, Utah.



Dr. Kevin Lu

is Chairman of Asia and Head of Partners Group's Singapore office as well as Head of the Asian Investment Solutions business unit. He is a member of the Global Executive Board. He has been with Partners Group since 2014 and has 19 years of industry experience.

Prior to joining Partners Group, he was a member of the senior management team at the World Bank Group's Multilateral Investment Guarantee Agency, as its CFO and Asia-Pacific Regional Director. He holds a PhD in international finance and public policy from New York University.



Amelia Räss-Fernandez

is Head of the Human Resources business department, based in Zug. She is a member of the Global Executive Board. She has 23 years of industry experience. Prior to joining Partners Group, she worked at Salt Mobile/ Orange Communications Switzerland,

Zurich Financial Services and PricewaterhouseCoopers. She holds an executive MBA from the University of Zurich, Switzerland and a graduate degree in human resources management from the University of Manchester, UK.

Corporate Governance Report



Dr. Raymond Schnidrig

is the Chief Technology Officer of Partners Group and Head of the Technology business unit, based in Zug. He is a member of the Global Executive Board. He has been with Partners Group since 2010 and has 24 years of industry experience. Prior to joining Partners

Group, he worked at Goldman Sachs and Finance Online GmbH. He holds a PhD in computer science from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.



Martin Scott

is Head of Partners Group's Sydney office and Head of the Australian Investment Solutions business unit. He is a member of the Global Executive Board. He has been with Partners Group since 2008 and has 24 years of industry experience. Prior to joining Partners

Group, he worked at Zurich Investments, Tyndall Investment Management and Citigroup. He holds a marketing diploma from the Macquarie Graduate School of Management, Australia and studied business at the University of Technology Sydney, Australia.

6. Compensation, shareholdings and loans

6.1. Principles, content and method of determining the compensation

Pursuant to art. 14 and 15 of the OaEC, all compensation paid in 2016 to the members of the Board of Directors and the Executive Committee, and the outstanding loans, if any, granted to the members of the Board of Directors and the Executive Committee, are disclosed in sections 5 and 6 in the Compensation Report 2016. In the Compensation Report 2016, the firm outlines its compensation principles, components and method. The Compensation Report can be found in the Annual Report 2016 or on the firm's website.

6.2. Loans

Members of the Board of Directors and Executive Committee may apply for loans and fixed advances, subject to an internal review and approval process. Such loans are made on substantially the same terms as those granted to other employees, including interest rates and collateral. A detailed overview of loans outstanding as of 31 December 2016 for the Board of Directors and the Executive Committee can be found in the Compensation Report in sections 5 and 6.

Pursuant to art. 12 para. 2 section 1 of the OaEC, the maximum amount of loans and credits for members of the Board of Directors and the executive management must be fixed in the articles of association in order to allow the company to grant such loans and credits to members of the Board of Directors and the Executive Committee. Art. 26 of Partners Group's articles of association states that the members of the Board of Directors may be granted loans, credits, and provided collateral up to certain limits at arm's length conditions. All loans listed in the Compensation Report 2016 were granted before the entering into force of the OaEC.

Corporate Governance Report

7. Shareholders' participation

7.1. Voting rights & representation measures

Each share entitles to one vote. The shareholders who are entitled to attend shareholders' meetings and to exercise voting rights are those recorded with voting rights in the shareholder register as of a qualifying date prior to the shareholders' meeting set by the Board of Directors.

Registration in the shareholder register with the attached voting rights is restricted by the limits on transferability and nominee registration as set forth in section 2.6 above. All registered shareholders are invited to attend shareholders' meetings. If they do not wish to attend, any shareholder may be represented at the shareholders' meeting by a legal representative who needs not be a shareholder, or the independent proxy. The Board of Directors issues further rules in relation to attendance and representation at shareholders' meetings, including the electronic issuance of proxies and instructions to the independent proxy.

7.2. Quorums required by the articles of association

The articles of association for Partners Group Holding provide that, unless provided otherwise by mandatory provisions of law, the following resolutions of the shareholders' meeting require at least two-thirds of the represented votes and the absolute majority of the represented nominal value of shares:

- The cases provided for by law in art. 704 para. 1 of the Swiss Code of Obligations;
- Reversal or amendment of the transfer limitation as set forth in section 2.6 above.

Votes and elections in the shareholders' meeting are open unless provided otherwise by the Chairman or decided otherwise by the shareholders' meeting.

7.3. Convocation of the general meeting of shareholders

The AGM of shareholders takes place within six months after the close of the financial year. All registered shareholders receive a written invitation to the AGM including detailed descriptions of the items to be discussed and the motions of the Board of Directors no later than 20 days before the date of the AGM. In 2017, the AGM for shareholders is scheduled for 10 May.

Shareholders representing at least one-tenth of the share capital may at any time request that a shareholders' meeting be called. The request must be submitted in writing at least 45 days ahead of the meeting by stating the items on the agenda and the motions to be introduced by the shareholders.

7.4. Inclusion of items on the agenda

Shareholders representing at least one-tenth of the share capital may submit proposals to be placed on the agenda at a shareholders' meeting, provided these items are received by the Board of Directors no later than 45 days prior to the meeting by stating the items on the agenda and the motions to be introduced by the shareholders.

7.5. Entries in the share register

The general rules for registration as a shareholder apply as described above in sections 2.4 and 2.6. The qualifying date for the registration of shares is defined by the Board of Directors for every shareholder meeting.

Corporate Governance Report

8. Changes of control and defense measures

8.1. Opting-out

Partners Group Holding has elected to opt out of the rule that an investor acquiring 33 1/3% of all voting rights has to submit a public offer for all outstanding shares.

8.2. Clauses on change of control

The contracts with the members of the Board of Directors and the Executive Committee do not contain any change of control clauses.

In particular, no protection measures such as

- severance payments in the event of a takeover (“golden parachutes”);
- special provisions on the cancellation of contractual arrangements;
- agreements concerning special notice periods or longer-term contracts where they exceed 12 months (in line with OaEC);
- the waiver of lock-up periods (e.g. no options that can be exercised with immediate effect);
- shorter vesting periods/accelerated vesting; and/or
- additional contributions to pension funds

exist that protect the above-mentioned persons by certain contractual conditions against the consequences of takeovers.

9. Auditors

9.1. Duration of mandate and term of office

The consolidated financial statements and the statutory accounts of Partners Group Holding are audited by KPMG AG. The statutory and group auditors are elected for one-year periods at the Annual General Meeting of shareholders. KPMG AG was first elected statutory and group auditor on 21 November 2001. The lead auditor, Christoph Gröbli, has been in charge of the mandate since 27 August 2010 and is subject to a seven-year rotation interval.

9.2. Auditing fees

In the financial year 2016, KPMG AG and other KPMG companies received a total of CHF 1.1 million (2015: CHF 0.7 million for audit services).

9.3. Additional fees

In addition, KPMG AG and other KPMG companies received CHF 0.1 million (2015: CHF 0.1 million) in fees for non-audit related services such as consulting services (tax, regulatory and IFRS) rendered to Partners Group Holding and its subsidiaries in the financial year 2016.

9.4. Supervision and control vis-à-vis the external auditors

The Board of Directors is responsible for the acceptance and processing of the reports from the statutory and group auditors. In this, the Board of Directors is supported by the Risk & Audit Committee, which periodically interacts with and monitors the qualification, independence and performance of the external auditors.

Based on the constant dialogue with KPMG AG and its annual presentation to the Board of Directors evaluating all audit findings, the Risk & Audit Committee conducts its assessment. This assessment further includes oral and written statements made by KPMG AG throughout the year concerning individual aspects or factual issues in connection with the accounting and the audit. During the financial year 2016, the external auditors participated in all four meetings of the Risk & Audit Committee in order to discuss audit processes as well as regulatory guidelines and monitoring. Among others, the external auditors were also involved in evaluating findings on risk factors and processes.

Corporate Governance Report

Key factors in assigning the external audit mandate to KPMG AG were:

- Detailed audit budget proposal containing expected hours and the relevant hourly rate
- Comprehensive debriefing after completion of audit, during which improvement suggestions on both sides are discussed
- Quality of service provided
- International expertise in regard to audit and accounting
- Independence and reputation of the audit firm
- Industry knowledge and qualifications
- Competitive fees

The Risk & Audit Committee reviews and assesses the auditor's performance on an annual basis. In this context and in the spirit of upholding good corporate governance, Partners Group Holding periodically conducts appraisals of the audit mandate, in which in particular budget issues are reviewed in order to ensure audit fees are kept at a competitive level in the best interests of shareholders.

Please also refer to the sections 3.5 as well 3.7.1.3 concerning the Risk & Audit Committee.

Partners Group Holding's Semi-Annual and Annual Reports are available for download on the website at www.partnersgroup.com/financialreports.

Partners Group Holding also distributes all current news via regular press releases. All published press releases are available on the website at www.partnersgroup.com/pressreleases.

To receive all information automatically upon publication via email, shareholders and other interested parties may subscribe to press releases at www.partnersgroup.com/subscriptionform.

Partners Group's Compensation Report outlining the 2015 compensation recommendations for the Board of Directors and Executive Committee can be found on the Partners Group website at www.partnersgroup.com/compensation-report or in the 2016 Annual Report.

For all investor enquiries Philip Sauer can be reached as follows:

Philip Sauer
Zugerstrasse 57
6341 Baar-Zug
Switzerland
Phone: +41 41 784 66 60
Fax: +41 41 784 60 01
Email: philip.sauer@partnersgroup.com

10. Information policy

As a company with its shares listed on the SIX Swiss Exchange AG, Partners Group Holding is committed to pursuing an open, transparent and consistent communication strategy vis-à-vis its shareholders as well as the financial community.

Key dates for 2017 are as follows:

Event	Date
Annual General Meeting of shareholders	10 May 2017
Ex-dividend date	15 May 2017
Dividend record date	16 May 2017
Dividend payment date	17 May 2017
AuM announcement as of 30 June 2017	13 July 2017
Publication Semi-Annual Report as of 30 June 2017	12 September 2017

11. Non-applicability/negative disclosure

It is expressly noted that any information not contained or mentioned herein is non-applicable or its omission is to be construed as a negative declaration (as provided for in the SIX Exchange Regulation Corporate Governance Directive and the Commentary thereto).

Contacts

Investor relations contact

Philip Sauer
T +41 41 784 66 60
philip.sauer@partnersgroup.com

Media relations contact

Jenny Blinch
T +41 41 784 65 26
jenny.blinch@partnersgroup.com

partnersgroup@partnersgroup.com
www.partnersgroup.com

Zug

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

San Francisco

201 Mission Street, Suite 1200
San Francisco, CA 94105
USA
T +1 303 606 3600

Denver

1660 17th Street, Suite 201
Denver, CO 80202
USA
T +1 303 606 3600

Houston

Williams Tower
2800 Post Oak Blvd., Suite 5880
Houston, TX 77056
USA
T +1 212 908 2846

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, 11º 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

Guernsey

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

Paris

14, rue Cambacérès
75008 Paris
France
T + 33 1 70 99 30 00

Luxembourg

2, rue Jean Monnet
L-2180 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

Dubai International Financial Centre
Level 3, Gate Village 10
P.O. Box 125115
Dubai, UAE
T +971 4 401 9143

Mumbai

Suite 3103 (Four Seasons Hotel)
114, Dr. E Moses Road, Worli
Mumbai 400 018
India
T +91 22 2481 8750

Singapore

71 Robinson Road, Level 13-01
Singapore 068895
T +65 6671 3500

Manila

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

Shanghai

Unit 2003, Level 20, Tower II
Jing An Kerry Centre
No. 1539 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

Daido Seimei Kasumigaseki Bldg. 5F
1-4-2 Kasumigaseki, Chiyoda-ku,
Tokyo 100-0013
Japan
T +81 3 5532 2030

Sydney

Level 33, Aurora Place
88 Phillip Street
Sydney, NSW 2000
Australia
T +61 2 8216 1900



ClimatePartner[°]
climate neutral

Print | ID 11020-1702-1015



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS