



Annual Report **2019**

Corporate Sustainability Report



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

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A note from the Chairman



Steffen Meister Executive Chairman

2019 was a pivotal year for Partners Group. It started with a moment of introspection and reflection as we took stock of what has made us successful following years of strong growth, what may be slowing us down, and what we need to build up as we continue to grow. It ended with the definition of a clear roadmap for the next phase of our firm's sustainable development and several associated action items that we believe will enable us to achieve true impact for our stakeholders now and in the future.

"As a firm founded on entrepreneurialism, we believe it is our duty to establish governance frameworks for ourselves and our portfolio companies that enable, rather than hinder, value creation."

The roadmap we have defined follows two key themes: "**own the business**" and "**care for people**." Owning the business refers to both our own operations and to our global portfolio of businesses and assets spanning multiple industries. As a firm founded on entrepreneurialism, we believe it is our duty to establish governance frameworks for ourselves and our portfolio companies that enable, rather than hinder, value creation. That is why we remain more convinced than ever about our entrepreneurial governance approach, which focuses on building and managing high-performing boards for our portfolio companies and working together with them on targeted value creation initiatives that enable long-term, sustainable growth.

At the same time, we want to ensure that our own firm continues to be managed in a principled and effective manner, especially as we continue to grow. In 2019, we initiated a series of significant measures to improve our organizational effectiveness, including the launch of our new "**Cell Leadership**" structure. The objective of the structure is to give back ownership of day-to-day business decisions and processes to individual teams or "cells," which are typically made up of five to ten people and headed by a Cell Leader. This ensures that organizational decisions are made at the right level and empowers our many investment, client and services team leaders to truly own their business area. We also established a program of "Operational Excellence," built around a set of 17 principles, to safeguard our business and strengthen our day-to-day operations and services.

Caring for people was our other major area of focus in 2019. In addition to being responsible owners of businesses, we also want to be a responsible employer for our more than 1,400 employees worldwide and our portfolio companies' close to 258,000 combined employees. Within our own firm, throughout 2019, we worked hard to develop a number of initiatives that will enable us to better care for our people and foster increased employee engagement. In addition to empowering our firm's leaders through our new Cell Leadership structure, these initiatives include offering additional learning and development opportunities for all employees through our **PG Academy**, establishing clearer career progression guidelines, providing dedicated care and training budgets for each employee, and maintaining our focus on promoting diversity and inclusion within our firm and across the broader private markets industry.

Within our investments, caring for portfolio company employees also continued to be high on our environmental, social and governance (ESG) engagement agenda in 2019. Examples of ESG value creation initiatives focused on serving our portfolio company employees include creating a hardship fund for employees of US restaurant chain Pacific Bells, establishing a Driver Safety Program for employees of utility locating business USIC, and providing access to an Employee Assistance Programme for employees facing mental health challenges at Civica, a UK-based provider of software and outsourcing services. In 2020, this will be a topic of even higher strategic importance, as we are currently developing a new **Stakeholder Benefits Program**. The new program will consider systematically re-investing a portion of achieved value creation at exit for the benefit of our portfolio companies' employees and other stakeholders. We look forward to reporting on our progress in this area in next year's report.

"In addition to being responsible owners of businesses, we also want to be a responsible employer for our more than 1,400 employees worldwide and our portfolio companies' close to 258,000 combined employees."

Taking a step back and looking at the broader economy, one of the sustainability topics that has quickly risen up the global community's agenda to become one of the most pressing issues of our time is climate change. Increasingly, we are witnessing the devastating effects that extreme weather events and natural disasters can have on local communities and businesses. For many of us, including a large portion of our stakeholders, the time has come to act in order to help address some of these impacts. In this report, you will read about the **Climate Change Strategy** we are developing to formalize our approach to managing climate risks and impacts across our investment portfolio and our firm. While we are proud of the steps we have taken to further integrate climate change considerations into our investment processes and operations, we acknowledge that this is only the beginning of the journey and that effectively tackling this complex issue will be an ongoing, multi-year effort.

As always, we remain committed to reporting our sustainability priorities in a transparent manner and to maintaining an open dialogue with our stakeholders. We hope you find our 2019 Corporate Sustainability Report relevant and insightful and we welcome your feedback on any of the topics discussed in the report.

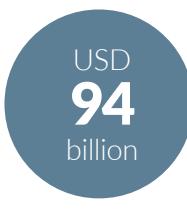


Steffen Meister
Executive Chairman

Partners Group at a glance

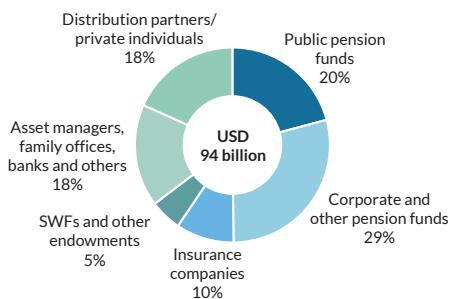


Key figures

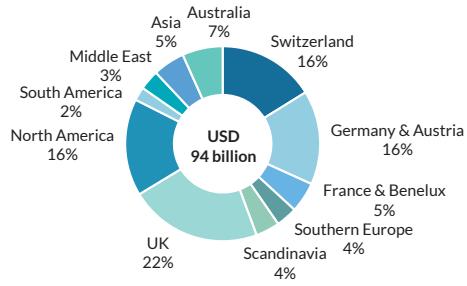
professionals¹⁾offices around
the world¹⁾assets under
management
(AuM)¹⁾revenues^{1), 2)}EBIT^{1), 3)}profit¹⁾

Assets under management

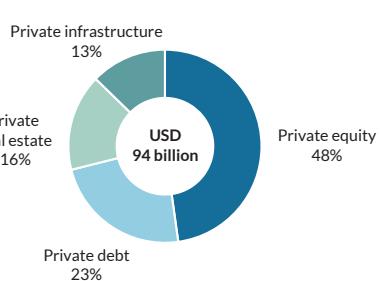
By client type¹⁾



By region¹⁾



By asset class¹⁾



1) As of and for the period ended 31 December 2019.

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

3) EBIT has replaced EBITDA as the firm's key performance indicator as it will be a more suitable measure of operating performance going forward.

Support for external initiatives



Since 2008, we have been a signatory of the UN Principles for Responsible Investment.



We have voluntarily participated in the CDP (formerly Carbon Disclosure Project) since 2008.



We have been a constituent of the FTSE 4 Good Index Series since 2018.



In 2019, we became a first adopter of the IFC's Operating Principles for Impact Management.

External initiatives we support in order to help promote diversity and inclusion in the private markets industry



Advance

Advance is the leading business association for gender equality in Switzerland, committed to increasing the share of women in management in Swiss-based companies.

www.weadvance.ch



Girls Who Invest

Girls Who Invest is a US-based non-profit working to bring more female investment professionals into the asset management industry through intensive skills-based trainings and internships with partnering asset managers.

www.girlswhoinvest.org



High Water Women

Founded by women in the hedge fund and investment industries, High Water Women focuses on providing enriched educational opportunities for low-income youth and the economic empowerment of women and children.

www.highwaterwomen.org



Him For Her

Him For Her is a non-profit venture aimed at accelerating diversity on for-profit boards. The organization engages leading "Hims" to introduce the world's most talented "Hers" to corporate board service.

www.himforher.org



Level 20

Level 20 is a European-based non-profit that aims to promote and improve gender diversity in the private equity industry. Level 20's goal is for women to hold at least 20% of senior positions in the European private equity industry.

www.level20.org

Pathways to Higher Education

Pathways is a Philippines-based organization focused on equipping high-potential but financially underprivileged students with the necessary academic and soft skills to become ethical and discerning leaders.

www.ateneo.edu/socdev/pathways

Toigo Foundation

The Toigo Foundation aims to foster the career advancement and increased leadership of underrepresented talent by creating mechanisms for greater inclusion from the classroom to the boardroom.

www.toigofoundation.org

Windsor Fellowship

The Windsor Fellowship provides disadvantaged students from lower socioeconomic backgrounds across the UK with career guidance and development skills using the help of intensive training sessions, internships and career mentoring.

www.windsor-fellowship.org

Partners Group is a global private markets investment manager, serving over 900 institutional investors. We have USD 94 billion in assets under management and more than 1,400 professionals across 20 offices worldwide. We realize potential in private markets by financing and developing great companies, desirable real estate and essential infrastructure. We create value in our investments through active and long-term responsible ownership.



For more information on our business model and financial performance, please refer to our **2019 Annual Report:**

report.partnersgroup.com/2019/



Focus topic: ownership excellence



In last year's report, we acknowledged that as Partners Group has experienced continued strong growth, we have found that leadership development, organizational effectiveness and cultural aspects have at times taken second place to more immediate business needs. To address this issue, starting in 2018, we decided to place increased emphasis on achieving what we call "ownership excellence" and engaged a global organizational consultancy firm to work with us on this topic. The firm spent the entirety of 2019 in-house at Partners Group and – together with a broad, internal working group comprising members of our Board and Executive Committee, and leaders from across our business units – explored what has made us successful in the past, what may be slowing us down today, and what we need to build up in the future to ensure continued growth.

Throughout the year, we held formal and informal interviews and group discussions with employees across offices, ranks and departments and conducted a firm-wide employee survey. The survey yielded an 85% response rate and highlighted several potential development areas, including increasing employee empowerment and decision-making authority, offering additional learning and career growth opportunities and providing increased transparency around rewards and promotions.

As a first step towards addressing these areas, we have implemented a revised organizational leadership structure known as "Cell Leadership." This structure gives all team heads, or "Cell Leaders," increased decision-making power and makes them directly responsible for day-to-day business decisions and processes, as well as the development and progression of their team or "cell," a unit typically made up of five to ten people. In order to aid them in this task, we have provided Cell Leaders with a dedicated care and training budget for each of their team members, established a more structured employee training and development program, and helped them develop clearer career progression guidelines for their particular functional area, which replace our existing firm-wide promotion guidelines. We believe this approach empowers our leaders to own the outcome of their work and, ultimately, to achieve better outcomes for the firm and its stakeholders.

In addition, we have also committed to conducting a firm-wide employee survey on an annual basis in order to ensure our employees' voices are heard and to foster increased employee engagement. To read more about other employee-focused initiatives, please refer to our dedicated human capital development section on pages 57-61.



"Through our ownership excellence program, we have laid the groundwork for the future growth of our people, our leaders, and our firm. Our ambition is that people at Partners Group grow faster than anywhere else – personally and professionally."

Andreas Knecht, Chief Operating Officer & General Counsel



Partners Group professionals attending one of our next-generation leadership training programs focused on fostering ownership excellence.

Special topic: climate change

Defining our strategy on climate change

The development of a platform-wide Climate Change Strategy was a highly relevant corporate sustainability milestone for Partners Group in 2019. This strategy defines Partners Group's approach to managing climate risks and impacts across our company and our portfolio.

Climate change has emerged as a global challenge following growing scientific consensus that the earth is warming, and that this process is likely driven by increasing greenhouse gas (GHG) concentrations. Extreme weather events, natural disasters, and unmanaged climate change are among the top five global risks, both in terms of likelihood and impact, according to the World Economic Forum. While addressing climate change requires action from governments, civil society and businesses, we believe that investors are uniquely positioned to catalyze the transition to a low-carbon economy through the systematic assessment and management of climate risks and opportunities. At Partners Group, we are committed to managing those risks for our company and our global portfolio of investments.

As a responsible investor, we have been assessing and managing the climate-related risks and opportunities of our investments for years. With the emergence of the Task Force on Climate-related Financial Disclosures (TCFD) in 2017, we saw a clear framework to organize our climate-related activities and formalize the governance structure around them. Concurrently, we have used the frameworks of the United Nations Principles for Responsible Investment (UNPRI) and the CDP (formerly Carbon Disclosure Project) to identify areas where we could take further action to enhance the climate resilience of our investments. The chart below demonstrates the evolution of our approach to climate change, culminating in the development of our Climate Change Strategy in 2019, which we plan to launch publicly by the end of 2020 as a standalone document.



Our approach to climate change aligns with the four core elements of TCFD: governance, strategy, risk management, and metrics and targets. We have embedded this approach into the key stages of our investment and ownership process from sourcing and due diligence through ownership to exit. These stages encompass our Climate Change Strategy for our investment portfolio.

Sourcing

Over the years, we have developed a set of guidelines to help us approach ESG sensitivities in fossil fuels-related investments at the sourcing and screening stage. Overall, we do not invest on behalf of our clients in companies or assets whose main business is the exploration or direct extraction or production of fossil fuel, regardless of their origin or use. In addition, we extend exclusion to:

- assets that would not exist if their main product or service did not support coal extraction, transportation, or use for energy generation;
- service providers to the coal industry that generate more than 10% of their revenue from thermal coal and have no plans to reduce this percentage over time;
- service providers for the shale oil and gas industry, such as drilling rig operators, frac sand suppliers, and oilfield service providers;
- treatment and logistics services for tar sands and heavy oil;
- deforestation or the burning of vast natural ecosystems for the purpose of land clearance.

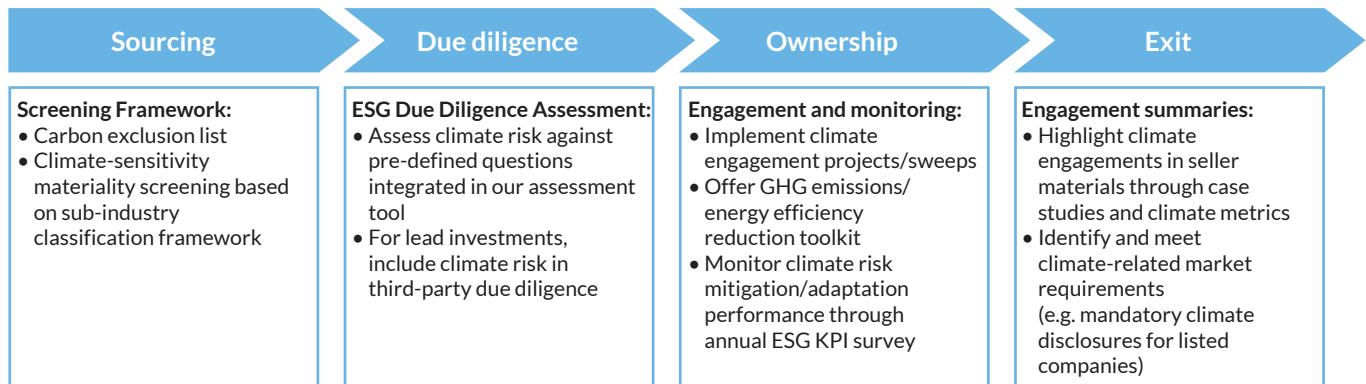
We regard gas pipelines, treatment facilities and gas-powered plants as supportive of the transition to cleaner sources of energy, as it is more sustainable to convert coal power plants to gas power plants and decrease overall GHG emissions, especially when they play a key role in providing baseload power and grid balancing. We are also actively targeting low-carbon and climate-resilient investments, with a heavy focus on renewable energy development.

Due diligence

We have updated our internal ESG Due Diligence Assessment to ensure early identification of climate risks by our investment teams. In addition, we now require external ESG due diligence providers to include a section dedicated to climate-related risks and opportunities in their final deliverables for all lead direct private equity and private infrastructure investments. This allows us to have a clear sense of risks, impact mitigation and value creation opportunities related to climate change for all potential lead investments.

Ownership

We have made significant efforts to more accurately measure our portfolio's emissions. This year, we completed a GHG footprinting exercise for our portfolio of direct lead investments to help us identify where our greatest risks and opportunities lie. Through this exercise, we identified and prioritized key actions



to take over the coming years, including:

- increasing data quality and tracking capabilities for companies that are unable to accurately report on their GHG footprint;
- developing and implementing company-specific actions, such as energy efficiency or fuel reduction initiatives and physical climate risk assessments and mitigation strategies;
- building out a climate change "sweep" for our portfolio to ensure a systematic approach to improving our companies' performance on this topic during ownership;
- monitoring climate risk/impact mitigation performance for all lead investments annually through our ESG KPI survey;
- reporting progress publicly through our ESG Dashboards.

Exit

The goal of our efforts is to demonstrate a material improvement in our portfolio companies' climate risk and impact mitigation performance over the lifetime of our investments. The steps outlined during sourcing, due diligence, and ownership will allow us to highlight climate-related improvements in seller materials and meet climate-related market requirements, such as mandatory climate disclosures for listed companies, by the time we seek to exit.

In carrying out the early stages of our Climate Change Strategy for our portfolio, we are humbled by the tremendous task facing us and the industry, but we are also excited to explore the climate opportunities that might gradually change the way we invest in and build our businesses. We look forward to reporting on the success of the measures we have taken and the impact they have on our portfolio in the years to come.

Lead by example

In addition to addressing climate-related risks and impacts at our portfolio companies, we are committed to addressing our

own corporate impact and leading our portfolio companies by example. Despite the relatively low carbon-intensive nature of our industry, we nevertheless want to make a fair contribution to reducing our GHG footprint and consider our firm, as well as all individual employees, directly responsible for protecting our environment.

At corporate level, we recognize that business travel is by far our greatest source of GHG emissions. The aim of any business trip is to ensure we stay close to our clients, source new investment opportunities and work with our portfolio companies on ESG engagements and value creation initiatives – all to build better assets for our stakeholders. However, we are committed to reducing our impact and, as a first step, we are fully offsetting our CO₂ emissions from corporate air travel. To achieve this, we have teamed up with Natural Capital Partners, a leading expert on carbon neutrality and climate finance. Together, we have built a global portfolio of low carbon sustainable development projects that we are financing in order to offset our CO₂ emissions according to the highest international standards. In 2019, we offset close to 16,000 metric tons of CO₂e generated by our global air travel activities throughout the year.

Today, our compensation portfolio comprises a mix of global afforestation, reforestation, forest protection and water infrastructure projects. Over time, we will also explore other CO₂ compensation options, such as sponsoring and collaborating with other leading organizations on research projects and finding additional entrepreneurial projects that have a high CO₂ compensation multiplier.

In addition to offsetting our emissions from corporate air travel, we also encourage all employees to travel in an efficient manner and avoid unnecessary trips through our Travel Policy. We also continue to invest in installing video conferencing systems in all our offices globally to support the reduction of business travel between offices.

Examples of projects included in our 2019 offsetting portfolio are shown below:



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Acre Amazonian Rainforest Conservation, Brazil

Project type: agricultural, forestry and landscapes

Region: Latin America

Standards: VCS, CBB-Gold

Description

The project prevents deforestation in 28,000 hectares of pristine rainforest in western Acre state, Brazil, home to the Amazon basin and some of the world's most biodiverse habitats. The project works with communities and local groups and uses carbon revenues to help protect ecosystem services. Around 35 communities live inside the project area, all in close proximity to the northern banks of the Valparaiso River, a major tributary of the Amazon that provides critical ecosystem services. Improvements to roads leading to the area have greatly increased the pressures on the land.

Sustainable Development Goals supported

In addition to delivering approximately 150,000 tonnes of emissions reductions each year to tackle climate action, the project delivers a number of other sustainable development benefits. These include:

- **Life on Land:** a key part of the project is the land owners working with the families to give them formal rights to individual parcels of land in return for assistance in preventing deforestation.
- **Zero Hunger:** the local farmers' association is being supported through the project to help build a local crop processing plant, and new equipment to increase the productivity of the land.



Find out more about the project here:

naturalcapitalpartners.com/projects/project/acre-amazonian-rainforest-conservation





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Improved water infrastructure, Sub-Saharan Africa

Project type: water

Region: Sub-Saharan Africa

Standard: Gold Standard

Description

It is estimated that at least two billion people worldwide do not have access to safely managed drinking water. This Gold Standard project provides clean drinking water to small rural communities in Sub-Saharan Africa by repairing and drilling new boreholes. Boreholes can be used as water wells by installing a vertical pipe casing and well screen, which allows water to be extracted from the ground, even during dry seasons. By providing clean water, communities no longer need to purify water through boiling. This alleviates pressure on local forests – the predominant source of firewood – and reduces greenhouse gas emissions.

Sustainable Development Goals supported

In addition to delivering approximately 140,000 tonnes of emissions reductions each year, the project delivers a number of other benefits, including:

- **Good Health and Wellbeing:** in Uganda, ten rehabilitated boreholes serve 5,700 people, preventing 100 cases of diarrhea and six fatalities each year.
- **Industry, Innovation and Infrastructure:** locally-appropriate technology is used, such as Afridev hand pumps, maintained by local mechanics trained under the project to maintain a long-term solution.
- **Climate Action:** the rehabilitated boreholes provide the communities with access to clean ground water, making them less susceptible to severe droughts.

- **Gender Equality:** boreholes greatly reduce the time needed to collect water and fuel, and purify water, which are typically tasks handled by women. On collection alone, the boreholes reduced the time spent daily on this activity by over 70%.



Find out more about the project here:

naturalcapitalpartners.com/projects/project/sub-saharan-africa-improved-water-infrastructure



Q&A on climate change with Carmela Mondino and Mátyás Csiky



Mátyás Csiky Global Head PG Impact (Verein) and **Carmela Mondino** ESG & Sustainability

What climate impacts are most material from a corporate and investment perspective?

Carmela: From an investment perspective, climate change definitely presents a number of material risks and potential impacts. These include policy developments such as carbon taxes, which could increase the cost of operations across our portfolio, or physical risks such as floods and wildfires, which can cause serious damage to businesses and communities, as is evident from the wildfires in Australia this year. We closely monitor and manage these risks across our global portfolio on an ongoing basis.

Mátyás: From our own corporate perspective, the climate impacts we deal with are fewer compared to those we see across our global portfolio of businesses and assets. As an investment manager, we do not produce physical goods or have long supply chains. Our direct environmental impact is mainly generated through our office buildings and through business travel, particularly air travel. Just as we assess material impacts across our portfolio, we also discuss the impact of our own operations on a regular basis in order to find ways to reduce it. Since air travel is currently our most significant source of GHG emissions, it is the first issue we have decided to tackle.

How do you incorporate climate change risks and opportunities into the investment process?

Carmela: Through the platform-wide Climate Change Strategy we are developing, we have established action items for each step in the investment lifecycle. On the sourcing side, we have an explicit exclusion list for certain types of industry, such as coal-fired power plants and coal mines. We also have a climate change sensitivity assessment, which helps us identify particularly carbon-intensive businesses or assets. At the same

time, just as we are excluding certain types of investments, we are also overweighting others that help tackle climate change, such as investments in renewable energy and energy efficiency.

We have also incorporated climate change criteria into our ESG Due Diligence Assessment so that our investment teams can identify potential climate change risks or areas that require further engagement with a target asset on our part. Within our existing portfolio of companies and assets, we have started to assess our carbon footprint. If you look at our ESG Dashboards on pages 25, 32 and 38, you will see a new column showing each asset's estimated carbon footprint. We acknowledge that we are still not able to gather this information for every single asset, but we are setting a baseline so that we can start acting on it.

Mátyás: While on the traditional investment side it has been easier to identify opportunities that support the environment, when it comes to our philanthropic activities through PG Impact, our employee foundation, it is harder to find projects that have a pure climate action focus. Many of the foundations we come across focus on social impact and might lead to environmental benefits as a by-product. The market is not that mature yet, but I think this will change in the near future as climate change becomes an increasingly pressing global issue.

What is Partners Group doing to address climate change at both the corporate and portfolio level?

Mátyás: As a firm, we have committed to fully offsetting our annual corporate air travel emissions as a first step towards reducing our impact on the environment. In 2019, we teamed up with Natural Capital Partners to offset these emissions by building and financing a globally diversified portfolio of low carbon sustainable development projects. These include forest protection and reforestation projects, as well as water

infrastructure projects that also have a social component to them. For example, one of the projects we are financing helps provide clean drinking water to rural communities in Sub-Saharan Africa while protecting local forests.

Carmela: On an investment portfolio level, our environmental impact is less related to travel and more related to energy consumption. That is why most of our environmental engagements with portfolio companies focus on reducing energy consumption and increasing energy efficiency.

These engagements can generate significant energy savings. For example, if a company has never implemented any energy efficiency measures, it has the potential to save over 10% of its energy consumption through relatively simple initiatives. And the great thing about these initiatives is that they are not only good for the environment, but also have a positive impact on our portfolio companies' bottom line. With our portfolio company KinderCare, a provider of early childhood education in the US, we did just that. By installing remote control systems that allow lights and air conditioning systems to be switched off remotely when areas are not in use, we saved over 5.8 million kWh in energy consumption, equivalent to more than four tons of CO2 and USD 990,000 in annual savings.

We also conduct what we call portfolio "sweeps," identifying our most successful ESG projects in areas that are material to most businesses, such as health & safety, cybersecurity, fraud risk and energy management, and applying them systematically across our lead direct portfolio. Through these sweeps, we have been able to develop a standardized toolkit for energy and fuel management that we apply across our portfolio. Building out a climate change sweep will be a focus area for us in 2020.

"If a company has never implemented any energy efficiency measures, it has the potential to save over 10% of its energy consumption through relatively simple initiatives."

What are the main climate-related challenges and opportunities for Partners Group going forward?

Mátyás: From a corporate perspective, an important challenge will be aligning our environmental objectives with the growth of our business. As we continue to grow and increase the number

of our employees, clients and assets under management, we will also inevitably see an increase in our emissions. While our emissions will grow, the goal is to keep their growth to a minimum by encouraging employees to travel in an efficient manner and avoid unnecessary trips.

At the same time, this is also an opportunity. Through our action on climate change, we can help educate our employees and other stakeholders on this critical topic and hope that this trickles into their private lives.

It is the beginning of the journey not just for Partners Group but for other investment managers. As we undertake this journey, we will continuously improve our response to the challenges posed by climate change, but we believe it is critically important to start acting today.

Carmela: On the investment side, I see a couple of specific challenges. First, there is the difficulty of collecting emissions data from our portfolio companies. We find that, at entry, many of the companies we invest in have never measured their carbon footprint, which makes it harder to get initiatives up and running. We are seeing regulatory developments, especially in Europe, which force companies to get a grip on their consumption data, but this is not a global phenomenon yet.

Second, when people talk about climate change, they often reference "scenario analysis." This refers to the ability to model the potential impact of climate change on a business. However, the truth is that, today, there are no standard tools to help conduct scenario analyses across an investment portfolio spanning multiple industries and geographies. While we always aim to quantify the ESG impact of our portfolio as much as possible, it is hard to come by accurate climate change figures we can incorporate into our models.

However, there are also lots of investment opportunities that address the impacts of climate change. Our investment on behalf of our clients in Techem, a leading European energy efficiency business, is one great example. The company contributes to global climate protection objectives by installing and maintaining sub-metering devices in properties which allow for more efficient energy use and significant energy savings. Another example is our portfolio of investments in renewable energy infrastructure, which currently totals 4.8GW in generation capacity.

Finally, for an investment manager, focusing on climate change risks and opportunities can also be a differentiating factor. Our industry is not as mature as others when it comes to addressing climate change, and this gives us an opportunity to be a leader in this space.

Materiality assessment

Material topics identified during our materiality assessment

Our Corporate Sustainability Report covers the topics that matter most to our stakeholders, which include our clients and their beneficiaries, employees, shareholders, portfolio companies and their stakeholders, financial partners, and regulatory bodies. The list below shows the topics that are most relevant to Partners Group from a business and sustainability perspective and that substantively influence the decisions of our direct stakeholders. These include a number of topics covered by the Global Reporting Initiative (GRI) Economic, Environmental and Social Standards and also reflect the Sustainability Accounting Standards Board (SASB) standards on materiality by industry for the financials vertical. Due to their relevance to our firm, these are the topics we have chosen to cover in this report as well as in our Annual Report and other Partners Group materials.

Material issue	Type	Definition and scope	Page
1. Responsible investment: - ESG integration - Impact investing - Philanthropy	(E)(S)(G)	Integration of environmental, social and governance (ESG) factors throughout the investment process / ESG risk mitigation and value creation / ESG engagement with portfolio companies and assets	17
	(E)(S)(G)	Impact investing / contributing to the UN SDGs / impact assessment methodology	41
	(E)(S)(G)	Corporate philanthropy / employee volunteering initiatives	47
2. Corporate governance & risk management	(S)(G)	Governance framework / entrepreneurial governance / operational excellence / systemic risk management / cybersecurity & data protection	49
3. Financial performance	(G)	Sustainable investment performance / sustainable financial returns / direct economic value generated and distributed	53
4. Human capital development	(S)	Attracting and retaining talent / education, training and development / diversity & inclusion / compensation & benefits / promoting Partners Group's culture	56
5. Business ethics	(S)(G)	Compliance with laws and regulations / prevention of market abuse / prevention of conflicts of interest / anti-corruption & anti-bribery / anti-money laundering / marketing compliance / socioeconomic compliance / tax compliance	62
6. Environment	(E)	Environmental compliance / managing the impact of climate change	10; 64

(E) = Environmental

(S) = Social

(G) = Governance / economic



Progress report: Responsible investment

A brief note on terminology

The spectrum of responsible capital shown below maps out the broad range of strategies that investors can adopt to deploy capital. These range from traditional strategies with a limited focus on ESG factors, all the way to philanthropy.

Partners Group operates within the responsible investment/ESG integration to philanthropy end of the spectrum, in addition to screening and excluding investments whose products, services or practices pose significant social or environmental harm. All Partners Group products integrate ESG factors into the investment cycle, both from a risk mitigation and a value creation perspective. We systematically integrate ESG factors, alongside commercial and financial factors, into our investment due diligence and ownership. We believe this approach not only protects, but also creates value for our clients and their more than 200 million beneficiaries.

The spectrum of responsible capital

Partners Group focus							
Traditional	Negative screening / SRI	Responsible investment / ESG integration	Impact investing		Philanthropy		
			Market-rate	Concessionary			
Competitive returns							
ESG risk management							
ESG value creation					Intention and commitment to create and measure impact		
Limited or no focus on ESG factors	Excluding investments based on harmful products, services or practices	Focus on creating and protecting value through consideration of ESG factors	Focus on one or a cluster of issue areas, where social or environmental need creates a commercial growth opportunity for market-rate returns	Focus on one or a cluster of issue areas, where social or environmental need requires some financial trade-off	Focus on one or a cluster of issue areas, where social or environmental need requires 100% financial trade-off		
All Partners Group investments: page 20			Scale	Underserved			
Impact investing: page 41			PG Impact Investments: page 46	PG Impact (Verein): page 47			

Responsible investment | Governance & risk | Financial performance | Human capital | Business ethics | Environment

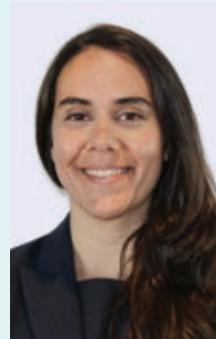
Our responsible investment governance framework



Carmela Mondino
ESG & Sustainability Europe



Tang Zongzhong
ESG & Sustainability Asia

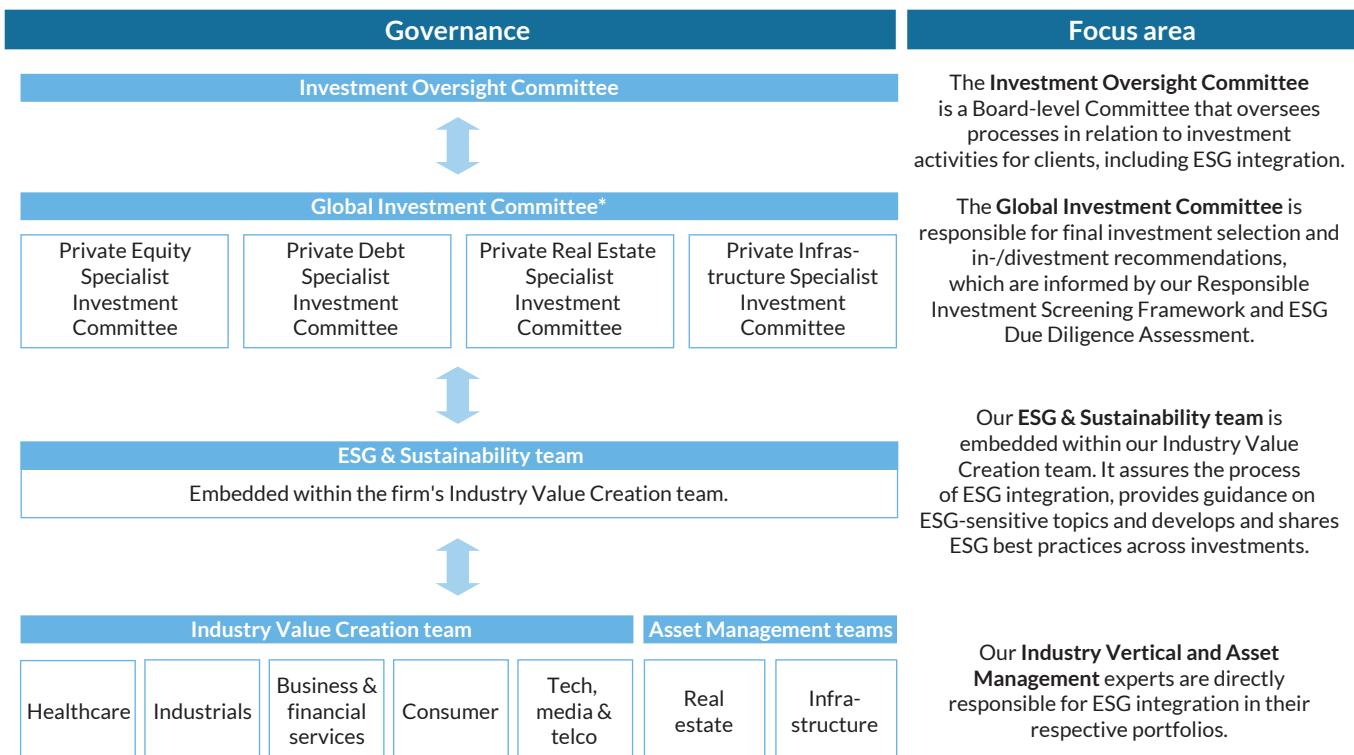


Nicole Kenny
ESG & Sustainability Americas

Our ESG & Sustainability team

At Partners Group, responsibility for ESG integration is well-embedded within our investment platform and shared by professionals across all teams. Our ESG Due Diligence Assessment is carried out by investment professionals, with findings flagged directly to our investment committees. More detailed ESG work, including our ESG engagements and value creation initiatives with portfolio companies and assets, is led by our dedicated ESG & Sustainability team, based in Asia, Europe and the US. The team sits within, and is supported by, our Industry Value Creation team, comprising over 60 Industry Value Creation and Asset Management specialists. In addition, we draw upon the expertise of our Operating Directors and Entrepreneurial Governance team, as well as several other teams across the firm, to support our ESG engagement activities and further inform our approach to ESG integration.

Our responsible investment governance structure



Note: legal Investment Committees are held for all asset classes and strategies.

*Includes Vertical Specialists and Functional Specialists.

Our **Industry Vertical and Asset Management** experts are directly responsible for ESG integration in their respective portfolios.

ESG integration at Partners Group

Traditional	Negative screening / SRI	Responsible investment / ESG integration	Impact investing		Philanthropy
			Market-rate	Concessionary	
Limited or no focus on ESG factors	Excluding investments based on harmful products, services or practices	Focus on creating and protecting value through consideration of ESG factors	Focus on one or a cluster of issue areas, where social or environmental need creates a commercial growth opportunity for market-rate returns	Focus on one or a cluster of issue areas, where social or environmental need requires some financial trade-off	Focus on one or a cluster of issue areas, where social or environmental need requires 100% financial trade-off

Our approach

As one of the largest private markets investment managers globally, we are fully committed to investing our clients' capital in a responsible manner. Partners Group's work of investing in and building businesses, the extensive reach of our global assets under management and our market leading position as a responsible investor mean that we are conscious of, and driven by, our impact on societies, the environment, and the real world. We initiate and execute ESG projects to mitigate the negative impacts our businesses might have. At the same time, we take advantage of opportunities to monitor, enhance, and report on the positive social or environmental impacts our businesses create.



Read about our approach to ESG integration across investment strategies in our **Responsible Investment Policy and Methodology:**

[www.partnersgroup.com/
responsible-investment-policy](http://www.partnersgroup.com/responsible-investment-policy)



ESG highlights of Partners Group's direct investment portfolio in 2019

Impact achieved		Equivalent to
20.9 million kWh energy consumption	REDUCED	6,282,156 liters of gasoline being consumed
869.7 thousand m³ water consumption	SAVED	Average yearly consumption for 2,098.2 US households
335.5 thousand tons waste	DIVERTED*	1.5 years of waste generated by the city of Denver
1.2 million metric tons CO2e emissions	AVOIDED	256,587 passenger vehicles driven for one year
28,637 new jobs	CREATED	9.2% job growth rate between 2009-2018

Note: data from our annual ESG KPI Survey, as of 30 June 2019. Once a year, we survey our 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.
*Waste diversion includes recycling, composting, incineration for energy recovery, or other recovery methods such as reuse.

Our progress in 2019

Leading the industry in responsible investing

As a signatory to the UN Principles for Responsible Investment (PRI), every year we are assessed on the strength of our ESG integration across asset classes. We are proud to have achieved, for five consecutive years (2015 to 2019), the highest possible score of A+ for our overall responsible investment strategy and governance. In 2019, we were also awarded an A+ score for direct private equity; A scores for direct private infrastructure and real estate, as well as indirect private equity, infrastructure and property.

What is an ESG engagement?

We define an ESG engagement as a set of at least three target ESG initiatives per year with a portfolio company or asset. Our ESG & Sustainability team initiates or supports these initiatives, sets KPIs and goals, and tracks progress on a quarterly basis. At the end of every year, we work with our portfolio companies to refresh these engagements in annual ESG workshops.

Common projects throughout our portfolio include the improvement of employee engagement, energy efficiency, compliance programs, supply chains, and waste management.

Deepening ESG engagements throughout our portfolio

We establish ESG engagements with all our lead direct investments. We currently have 59 ESG engagements throughout our private equity, infrastructure and real estate portfolio, on topics ranging from energy efficiency, to employee engagement, to cybersecurity.

In these ESG engagements, we work ever more closely with our Industry Value Creation and Real Asset Management teams to identify critical ESG risks and opportunities, so that we improve an asset's ESG performance through a more coordinated, integrated approach.

For private equity, we host two Operational Value Creation Committees (OVCC) per region every year internally to provide updates on portfolio companies' performance and value creation projects, and to align on the action plan for the upcoming six months. In 2019, the ESG & Sustainability team institutionalized the use of our ESG Dashboards and maturity assessments in the OVCCs to drive improvements. By clearly

laying out the key ESG topics and the major gaps between where we are and where we should be, we are able to build consensus around priority ESG projects to include as part of our engagement with the assets.

For private infrastructure, four OVCCs are hosted throughout the year, covering our assets globally. We plan to similarly integrate ESG content into the infrastructure OVCCs to facilitate consensus building around key ESG risks and opportunities, refresh our current engagements, and, ultimately, drive ESG improvement.

Finally, for private real estate, our ESG Working Group holds biweekly calls to steer the integration of ESG considerations into our private real estate investment process and asset portfolio.

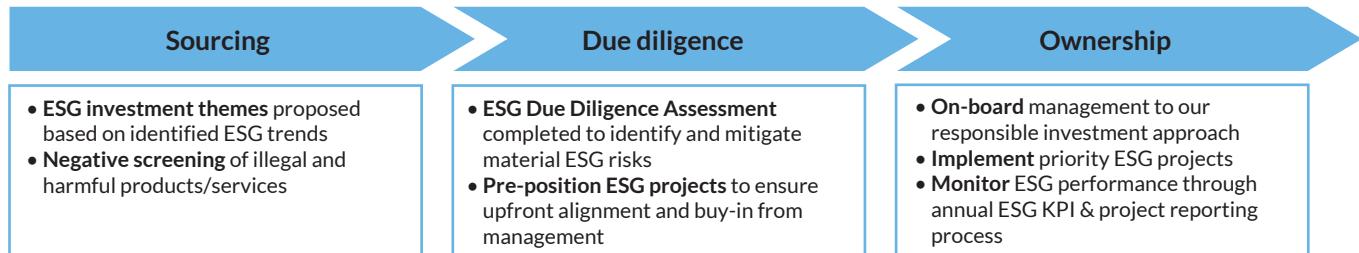
"Sweeping" our portfolio on key ESG topics

Throughout 2019, we also conducted two portfolio "sweeps." The origin of the project was our realization that there are several common ESG areas that are material to most of our businesses, such as health & safety, anti-fraud and cybersecurity. In addition, through our active ownership approach combined with continuous ESG engagements at the assets, we have accumulated valuable subject area expertise as well as project execution skills, which enable us to systematically improve in these areas across our lead direct portfolio.

The two portfolio sweeps we conducted in 2019 focused on health & safety and fraud, bribery & corruption. For the health & safety sweep, we established a partnership with an industry leading consultancy, defined a systematic and scalable approach, and managed to deliver concrete, prioritized plans at five assets to fill any health & safety gaps identified between the company and industry standards. We aim to operate our companies in the top quartile of health & safety standards, establish best practices, and improve our oversight of health & safety performance, including that of contractors and sub-contractors.

For the fraud sweep, we went through a similar process to not only update our existing methodology used to understand fraud risks within our portfolio, but also define our vision for a robust fraud risk management system and establish the infrastructure around it accordingly. We found various degrees of maturity at our portfolio companies in terms of prevention, detection and response against risks in a number of areas, including government interactions, third party relationships, anti-bribery/anti-corruption, anti-money laundering and sanctions, among others. We then shared the findings with the respective boards of our portfolio companies, which proceeded to formalize and approve action plans for management teams to implement.

The lifecycle of a lead direct investment: key ESG engagement points



Strengthening our due diligence process

For both the health & safety and fraud portfolio sweeps, we started with a robust risk triaging exercise, identifying the high, medium and low risk assets within our portfolio to aid prioritization. Throughout the sweeps, especially as findings and learnings came in, we continuously updated our risk triaging methodology, keeping in mind that the goal was to establish a robust system on ESG issues throughout our investment and ownership lifecycle, for both existing and new investments.

With that goal in mind, we adapted and incorporated the risk triaging methodology for our sweeps into a strengthened version of our existing due diligence approach. We incorporated questions on health & safety, fraud, bribery and corruption, as well as climate change, into our internal ESG Due Diligence Assessment, which we update annually. For fraud, for example, we worked with our Transactions Services team to streamline and improve fraud risk assessment, including criteria such as industry, revenue makeup and the ranking of the investment's headquarters' home jurisdiction on the Corruption Perceptions Index (CPI). This risk triaging strengthens our understanding of potential risks in our portfolio and informs priority targets for the sweeps to be conducted post-closing.

ESG integration by asset class in 2019

While our Responsible Investment Policy and Methodology gives us overarching guidelines, we also think about ESG from an asset class and sector perspective. This is how we look at each of our asset classes:

Private equity

For private equity, we have developed an integrated approach to ESG at each stage of the investment lifecycle, from due diligence through ownership to exit. We have embedded this systematic approach in the practices of our investment and Industry Value Creation teams. It starts with our proprietary ESG Due Diligence Assessment, which we developed based on SASB's sector materiality framework. When looking at a

potential direct investment, our investment teams are responsible for completing this standardized in-house ESG Due Diligence Assessment, which identifies material ESG factors based on a company's industry and sub-industry. Using a stoplight approach, the investment team provides an initial assessment of the company against these ESG factors and identifies topics that may require further internal and external ESG due diligence. The team submits this ESG assessment to Partners Group's Specialist and Global Investment Committees for discussion as a required part of their investment memo on the company.

In applying our rigorous screening framework, we decline a number of investment opportunities on the grounds of ESG. For **example**, we looked at a reasonably sized investment opportunity in Australia in the pubs/poker machines space. The poker machines ("pokies") are not stand-alone outlets but are instead located in the pubs themselves. The pub segment for this company, which includes slot machines, contributes 7% of revenue and 27% of EBITDA. This immediately raised significant ESG concerns for our investment team, which approached the ESG & Sustainability team for guidance. The pubs in which these pokies are located are typically in the suburbs of major cities, usually as an anchor for a food and beverage precinct, serving both food and alcohol. Upon closer examination, we learned that, importantly, the pokies are played primarily by middle- and low-income individuals, who may feel the financial impacts of gambling more acutely than higher-income individuals. In addition, this particular business has also been subject to some negative publicity in the past. We therefore decided to decline the investment opportunity both as a potential equity or debt investor.

Potential investments that pass our initial internal screening are then subject to deeper ESG due diligence from external ESG consultants. Using the initial findings from our in-house assessment, we collaborate with these consultants to develop a

ESG engagement focus areas for select private equity investments in 2019

Asset	Description	ESG focus
Confluent Health	US provider of physical therapy services	Employee engagement, energy efficiency, diversity & inclusion
Schleich	Large toy manufacturer in Germany	Supply chain, sustainable packaging, sustainability strategy
BCR Group	Retail display solution provider in China	Health & safety, responsible supply chain, employee welfare

comprehensive due diligence scope. The consultants prepare an exhaustive ESG due diligence report that not only outlines red flag risks but also identifies opportunities for Partners Group to create value for the company by improving ESG factors during ownership. This might mean strengthening cybersecurity infrastructure to comply with emerging regulations or saving costs by implementing an energy management system.

Our internal and external ESG due diligence process ensures that by the time an investment reaches the final stage of the investment process, the ESG & Sustainability and Industry Value Creation teams have a clear picture of the steps we will take to improve the company's ESG performance during ownership. Once an investment is finalized, we present these due diligence findings and ESG value creation recommendations to the portfolio company's management team. During the onboarding phase, we collaborate with company management to define three ESG focus areas for the coming year and set KPIs to measure progress. We refresh these focus areas annually.

Throughout ownership, our ESG & Sustainability team works in partnership with our Industry Value Creation team to monitor progress on the company's ESG initiatives. Together, these teams help our portfolio companies reach their ESG goals by leveraging tools we have honed over the last ten years, including our health & safety and fraud risk sweeps, our policy maturity assessments, and best practices borrowed from our leading portfolio companies.

Our private equity ESG Dashboard

While anecdotes help to bring our ESG approach to life, we are committed to measuring and reporting on our portfolio companies' ESG progress in a rigorous manner. We therefore published our first private equity and infrastructure Dashboards in our 2018 report to increase transparency and report ESG metrics for individual portfolio companies. These Dashboards are rooted in our belief that as our global platform continues to grow, it is essential to have a scalable and replicable process for ESG integration and measurement.

2019 marks the second publication of our ESG Dashboards, with two new categories that reflect our commitment to mitigating climate change and our approach to entrepreneurial governance. Not only did we go through a process of

coordinating a sophisticated data strategy to collect, validate and report the data in these Dashboards, but we also developed a much more rigorous methodology to confirm the most material ESG metrics for each of our portfolio companies. This methodology is inspired by SASB's sector materiality framework. It asks questions on key dimensions of materiality for a given ESG topic, such as financial impact, regulatory environment, industry norms, stakeholder concerns and opportunities for innovation. Based on the answers to these questions, the methodology classifies a particular ESG topic as high, medium or low for a specific portfolio company (see example on page 24).

For metrics that are qualitative, rather than quantitative in nature, such as environmental management and cybersecurity, we deploy our maturity assessment to evaluate five dimensions of an asset's management of that particular ESG topic in a holistic manner. The five dimensions we evaluate are policy, authorization, responsibility, implementation and reporting. We assign each dimension a score from 1 to 4 and arrive at an overall maturity level for a particular ESG topic by averaging across the dimensions.

For **example**, one of the KPIs we report in our ESG Dashboard is cybersecurity "maturity," which indicates the strength of a company's cybersecurity policies and processes on a scale of 1-4. Cybersecurity is a particularly high materiality topic for one of our portfolio companies that holds sensitive data for over 30,000 employees and nearly 190,000 customers. At our last Operational Value Creation Committee meeting, we reviewed this company's cybersecurity maturity rating and realized that its policies and processes were insufficient. We therefore defined this as a priority action area for the company in 2019 and have since strengthened its cybersecurity infrastructure. For example, the company now ensures that an IT expert is on call around the clock to manage critical IT services. It also implemented a tool to automatically log incidents and launched a solution to detect outages and notify IT experts immediately. We will continue to work on this topic in 2020 in order to further increase the company's rating.

One notable update to this year's ESG Dashboard is the addition of the "board maturity" KPI, a result of the pioneering work of Partners Group's Operational Directors and Entrepreneurial Governance (ODEG) team. Longer-term entrepreneurial governance is at the heart of our investment approach. In order to further our commitment to this approach, we established the ODEG business unit in 2018. As of January

2019, the unit is charged with implementing governance excellence across the firm's portfolio of businesses and assets. ODEG drives our work on active ownership, entrepreneurial governance, and board excellence. As part of their work, they have developed a "board health" assessment that we have incorporated into our ESG Dashboards as a key indicator of effective governance.

Example of a Responsible Supply Chain Materiality Assessment

Elements	Key questions	Materiality level LOW	Materiality level MEDIUM	Materiality level HIGH
Financial impacts & risk	<p>To what degree and how likely is the management (or mismanagement) of this ESG topic to affect the company's financial performance over the lifetime of our investment?</p> <p>Revenue/costs: Could this topic affect projected revenue, earnings, market share, and/or pricing power? Could this topic affect costs, for example, by impacting operational efficiency, fines, or through the availability or price of raw materials/inputs?</p> <p>Assets/liabilities: Could this topic affect tangible or intangible assets (e.g., brand value)?</p> <p>Cost of capital/risk profile: Could this topic increase the company's cost of capital or limit its access to capital? Could it increase risk in a way that could affect valuation?</p>			
Global legal, regulatory & policy drivers	To what degree and how likely is existing, changing, or emerging regulation related to this ESG topic to create compliance costs or new upside opportunities (new products, markets, business models)?		High degree of impact and low likelihood OR	
Industry norms & competitive drivers	To what degree and how likely are peer actions regionally or globally on this issue to create pressure or norms around standard performance on this ESG topic?	Low degree of impact and low likelihood	Low degree of impact and high likelihood OR	High degree of impact and high likelihood
Stakeholder concerns & social trends	<p>To what degree and how likely are regional or global stakeholders to raise concerns related to this ESG topic?</p> <p>License to operate: Could mismanagement of this issue ESG topic result in loss of license to operate?</p> <p>Reputation: Could mismanagement of this ESG topic damage reputation? Could a leading approach bolster reputation?</p> <p>Customer demand: Are consumers currently or anticipated to demand a certain approach/performance on this ESG topic?</p> <p>Business viability: Could stakeholder concerns on this topic impact the viability of the business?</p>		Medium degree of impact and medium likelihood	
Opportunities for innovation	To what degree and how likely are new products and business models to emerge within the industry in response to this ESG topic and create opportunity for disruption or competitive advantage?			

Note: this methodology is inspired by SASB's sector materiality framework. It asks questions on key dimensions of materiality for a given ESG topic, such as financial impact, regulatory environment, industry norms, stakeholder concerns and opportunities for innovation.

Private equity ESG Dashboard

Vertical	Company	Environmental					Social					Governance		
		Environmental management	Climate change	Energy management	Waste management	Sustainable supply chains	Employee retention	Health & safety	Gender equality advancement	Corporate governance	Active ownership	Bribery & corruption	Cybersecurity maturity	
Environmental maturity	GHG intensity (tCO2e/m USD sales)	Energy intensity (kWh/m USD sales)	% of waste diverted	Responsible supply chain maturity	Employee turnover	Lost-time incident rate**	% of women in management team	Board maturity	Number of Operating Directors	Anti-bribery/ anti-corruption maturity				
Consumer	Company A	3.1	30.3	125,548.7 ▲	-	2.7 ▲	184% ▼	1.0	50%	-	0	3.1	3.0	
	Company B	1.1	23.2*	106,238.8	1% ▲	2.4 ▲	35%	1.8	25%	2.8	3	2.0 ▲	2.1	
	Company C	1.0	0.1*	-	-	1.0	145% ▼	0.2 ▲	25%	2.3	1	3.1	3.3	
	Company D	2.6	22.9	50,255.9	69%	2.3	58%	0.02	0%	2.3	4	3.0	2.5	
	Company E	3.6	-	-	-	2.4 ▲	-	-	16%	-	2	2.4	2.9	
	Company F	2.6	0.7*	984.2	-	2.3	-	-	20%	2.9	1	2.7	2.3	
Business & financial services	Company G	1.0	1.6*	2,005.5	-	1.0 ▲	22%	0.0	10%	3.4	3	3.7 ▲	2.8 ▲	
	Company H	2.4	20.4	23,337.9	24%	1.0	34%	3.3 ▲	66%	3.2	4	4 ▲	2.6	
	Company I	2.9	3.3*	5,620.2 ▲	100%	3.7 ▲	27%	0.0	0%	3.2	3	3.7	3.6	
	Company J	1.0	-	-	-	1.0	-	-	20%	3.4	3	2.9 ▲	2.4	
	Company K	1.1	44.7*	64,491.7 ▲	18%	2.6	52%	0.6 ▲	40%	3.0	3	10	3.1 ▲	
	Company L	1.0	3.3*	36,604.3	-	2.5 ▲	19%	-	33%	3.0	2	1.1 ▲	2.5 ▲	
Healthcare	Company M	2.6 ▲	46.6*	102,268.9 ▲	-	2.6 ▲	0.7%	0.2 ▲	40%	3.0	2	34	3.1	
	Company N	3.4	-	-	99%	1.0 ▲	31% ▲	0.4	50%	3.2	3	3.6	3.9 ▲	
	Company O	1.7	231.7	1,093,538.4	-	2.5	-	-	7%	3.0	3	2.9 ▲	3.1	
	Company P	1.0	-	-	-	2.8 ▲	-	3.2 ▲	11%	2.7	1	▲	2.5	
	Company Q	2.3	57.2*	128,777.7 ▲	-	1.1	7%	6.4 ▲	14%	2.9	3	2.6	1.6	
	Company R	2.7	190.8*	587,352.2	-	2.7	-	0.9	0%	1.7	2	2.9	2.6	
Industrials	Company S	2.3	97.6*	-	-	1.6	75% ▲	0.7 ▲	20%	2.9	2	3.3	3.5	
	Company T	3.9	3.5*	6,592.1	95%	2.4	24%	0.4	25%	▲	2.8	2	3.7	
	Company U	3.1	47.7	58,231.0 ▲	-	2.3	56% ▲	0.0	0%	2.2	2	▲	2.6	
	Company V	1.0	27.4*	44,378.7	-	1.0	30%	0.0	20%	3.0	4	3.6 ▲	3.9	
	Company W	3.3	95.9	132,965.4	-	3.6	32% ▼	0.0	20%	-2.1	2	3.9 ▲	2.5	
	Company X	3.0	27.0	18,154.53	53%	2.7	45%	0.0	30%	-2.5	4	2.7 ▲	3.4 ▲	

Legend
Materiality
high medium low

2019 priority ESG topic
2019 engagement performance

improvement in performance; target KPI achieved
no change in performance; target KPI not achieved
deterioration in performance; target KPI not achieved

Note: if companies were unable to report a given metric in 2019 (indicated in the table with a dash "-") but took steps towards being able to track and report in 2020, this was considered as an improvement in performance.
* For the climate change column, assets marked with *** are where the figures available represent a partial GHG footprint.
** Lost-time incident rate: the number of workplace incidents that kept employees from coming to work for at least a day.

ESG engagement case study: International Schools Partnership, Ltd.

Industry vertical: financial, education & business services

Location: global, HQ in the UK

Investment date: April 2013

For more information:

www.internationalschoolspartnership.com 



International Schools Partnership, Ltd. (ISP) is a leading global partnership of high quality independent schools. Since 2013, Partners Group and ISP management have built the ISP network from scratch to 47 schools located in the UK, US, Spain, Chile, Costa Rica, the United Arab Emirates, Qatar, Malaysia, Mexico, Colombia, Ecuador and Peru. As of January 2020, the ISP network counted over 47,000 students and 6,000 staff across the globe.

Given ISP's extensive reach, Partners Group's goal for the platform was to facilitate access to best-in-class tools and processes to ensure the safety and security of all its staff and students. At the core of ISP's value proposition are four pillars, which are implemented across all schools in the network: selecting and training the best teachers, leveraging the network to share best practices, providing the best infrastructure, and safeguarding the teachers and children that attend ISP schools every day.

Engagement focus area: health & safety

Partners Group's investment and Industry Value Creation teams, in conjunction with ISP's management, identified health & safety as a key element of fulfilling the "safeguarding" pillar of ISP's value proposition. With over 47,000 students, it is ISP's responsibility to both honor the trust given by parents and preserve the partnership's reputation by prioritizing health & safety initiatives in all schools.

- **Bringing in expertise:** Partners Group hired an experienced health & safety manager to conduct a gap analysis between ISP's existing standards and industry best practices.

- **Conducting in-depth analysis:** a key action item identified by Partners Group was to design and implement a global approach to health & safety across the platform. Consequently, our global Industry Value Creation and ESG & Sustainability teams implemented a new reporting system to systematically track and improve health & safety initiatives across schools. The health & safety initiatives implemented include:
 - Monthly accident recording – the accident ratio per 100 students is reported
 - Monthly fire drill reporting – evacuation times are reviewed and further practice drills are required if the evacuation time exceeds four minutes
 - Review and update of ISP's health & safety policies – there are now 32 policies in place
 - Annual safety audits with actions raised for non-compliances
 - Monthly reporting of high actions – high actions to be cleared or action plans to be put in place within three months, medium/low actions to be cleared within six months
- **Implementing best practices:** one of the first steps in implementing this system was to identify key metrics to report and track health & safety initiatives. Two of the metrics identified are the percentage of employees who complete basic safeguarding training and the percentage of employees who have undergone an up-to-date (at least every three years), complete background check. Both metrics are above 90%, and the target is to have each at



International Schools Partnership, Ltd.

100% by the end of 2020. This is fundamental for schools in ensuring safer recruitment and that staff have the relevant knowledge to identify issues with students that can be a barrier to learning.

Going forward

Partners Group will continue to support the growth of ISP's global network and focus on health & safety initiatives. Increased transparency and focus on health & safety has led to a better understanding of how ISP schools operate and ensured that strong management is in place to focus on relevant topics at all schools within the network. At present, each school includes health & safety elements in its regular report to the board. ISP has received continuous positive feedback from the schools relating to the increased focus on health & safety.



**Andrew Deakin,
Managing Director, Private
Equity Europe & Board
member of ISP**

"Health & safety is a key concern for many of our portfolio companies, but even more so for education businesses like ISP, which is entrusted with safeguarding the thousands of children that attend its schools every day. We are pleased to have supported ISP in implementing an even more robust approach to health & safety management and adopting a global standard across its platform. With measures like these, we are convinced the company is on the right track to ensure its continued long-term success."

32
**health & safety
policies in place to
safeguard students**

**monthly
accident and
fire drill reporting to
identify any gaps**

**annual
safety audits
performed to identify
improvement areas**

ESG engagement case study: Vermaat

Industry vertical: consumer

Location: Netherlands

Investment date: December 2015

Exit date: December 2019

For more information:

www.vermaatgroep.nl 

Vermaat is a Dutch premium hospitality provider that operates close to 400 food and beverage locations with tailor-made concepts suited to specific client needs. Its core customer segments include Hospitals, Leisure, Corporate, Travel and Events. Today, the company employs over 4,100 people.

Integrating sustainability into its business practices is key to the company's business model. This is an area of critical importance to many of its clients and a differentiating factor for winning new locations and renewing existing ones. Vermaat's approach to sustainability is reflected in its 2022 Food Vision program, which includes targets to become a healthier, more sustainable and more socially responsible hospitality company.

Engagement focus area: reducing food waste

In line with this program, during Partners Group's ownership, effectively reducing food waste was a key area of focus. It is estimated that over a third of the food produced in the Netherlands is not consumed, which not only creates food waste, but also generates unnecessary carbon emissions during production and transportation. By tackling food waste, Vermaat is also supporting Sustainable Development Goal 12.3: "By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses." It is on track to meet its target of reducing food waste by 10% per year across its business.

After examining Vermaat's food supply chain, we introduced the following processes to avoid food waste in its daily operations.

vermaat

- **Ingredient production:** during the production of raw materials, suppliers throw away food that is not deemed good enough to be sold purely for aesthetic reasons. Vermaat has collaborated with suppliers to reduce this waste and now uses a number of platforms to buy "imperfect" ingredients that would otherwise go to waste.
- **Planning:** in addition to purchasing produce only according to its chefs' needs, Vermaat encourages its staff to share best practices on planning in advance and how to avoid throwing away raw materials. One example is adding unused vegetables to vegetarian pizzas at the end of the week.
- **Cooking:** as part of its quest for innovation, Vermaat uses food parts that would normally be thrown away and optimizes left-overs from its own produce. For instance, unused citrus fruit peel is sent to PeelPioneers, a company which uses the peel to make essential oils for food production and pulp for animal feed, while coffee grounds are collected by Gro, a company which uses the grounds to grow high-quality mushrooms.
- **Point of sale:** during Partners Group's ownership, a system was implemented enabling management to receive real-time sales information across locations. Unsold food can now be registered at the point-of-sale, meaning food assortment and stocks can be better optimized at individual locations. In addition, Vermaat is a member of platforms such as Too Good To Go and Zero Foodwaste, which enable unsold items to be sold at a reduced price at the end of the day.



Vermaat Groep B.V.

Going forward

In addition to reducing food waste, the company continues to look for ways to further optimize resource utilization and support the circular economy. An outstanding example is Circl, its circular hospitality pavilion created with Dutch bank ABN-AMRO in Amsterdam's financial district. Circl is carbon-neutral, and its removable building was designed to have as little impact on the planet as possible. It is built entirely based on circular principles using recycled and re-usable materials.

Partners Group sold its majority stake in Vermaat in 2019 but remained a minority owner of the business on behalf of its clients. We will continue to support Vermaat in its sustainability journey and in the identification of targets beyond its 2022 commitments.



**Rick Zeelen,
CEO of Vermaat**

"At Vermaat, integrating sustainability is part of our everyday business, as it is a key value creation factor for our clients and their employees. It was a pleasure to work with Partners Group, as they understood, supported and steered our passion for sustainability topics, and provided us with tools to further professionalize our approach."

10%
**annual food waste
reduction target**

**sustainable
use of "imperfect"
ingredients and
left-overs**

**real-time
sales information to
optimize stocks and
avoid waste**

Key ESG topics for infrastructure

Our environment	Our community
	
Our people	Our governance
	

Private infrastructure

Infrastructure assets support the day-to-day functioning of society, including the provision of services such as transportation, water and power. Relevant government entities tend to regulate the most material ESG topics for the asset class, including health & safety, the environmental impact of operations and governance topics such as bribery and corruption. During ownership, we go beyond regulatory compliance by identifying additional ESG topics and implementing projects that will further enhance our infrastructure assets' ESG performance, such as community relations, land and indigenous rights, and cybersecurity.

For our private infrastructure assets, we focus in particular on, and promote a responsible approach to, the following areas: environment, people, community and governance.

Just as we do for our private equity investments, we screen infrastructure opportunities against ESG concerns. For **example**, we were presented with an opportunity to invest in a large fleet of vessels transporting coal, iron ore, and liquid natural gas to key businesses in a Northeast Asian country under long-term contracts. The investment team brought the opportunity to the attention of the ESG & Sustainability team, highlighting that thermal coal currently contributes to 41% of total shipping revenue (as of 2018). Although, according to the company's management plan, this was expected to decrease significantly to 18% by 2028, we decided to decline the opportunity based on the high exposure to coal and the projection that the country would still rely heavily on coal in the foreseeable future.

After screening, we conduct a thorough ESG Due Diligence Assessment for all infrastructure investment opportunities and establish ESG engagements with all our lead direct investments. The table at the top of the following page summarizes the focus of these engagements for a selection of our 2019 investments.

Defining Partners Group's ESG standards for indirect infrastructure

While we are naturally much closer to our direct investments owing to our active ownership approach, we also ensure the General Partners we work with integrate ESG considerations as comprehensively as we do. We understand that improving ESG performance globally is a multi-stakeholder endeavor, and that only by channeling pressures from different directions, will we be able to drive continuous ESG improvement everywhere. Therefore, when we are the Limited Partners in indirect infrastructure transactions, we will include new ESG language in our Limited Partnership Agreements or side letters to the extent possible. We also require General Partners to report negative ESG incidents in a timely manner, while encouraging them to report on their ESG engagements.

In addition, in 2019, we once again further developed the ESG questionnaire we use for all indirect investments to include questions on whether General Partners adhere to any code of conduct or ESG policy, how ESG factors are considered, and whether there are General Partners' actions to improve ESG performance. We monitor, record and share learnings on our own analysis of ESG factors during the investment process, as well as on any investments declined due to ESG concerns.

ESG engagement focus areas for select private infrastructure investments in 2019

Asset	Description	ESG focus
CapeOmega	Norwegian energy distribution company	Cybersecurity, fraud risk assessment, people management
EnfraGen	Latin American power generation platform	Health & safety, community engagement, environmental compliance
Bango Wind Farm	Large-scale Australian renewable energy platform	Environmental management, community engagement, health & safety

Our private infrastructure ESG Dashboard

In addition to our private equity ESG Dashboard, we also refreshed our ESG Dashboard for private infrastructure in 2019 to continue providing a portfolio-wide view of ESG performance as well as potential areas for improvement.

For quantitative metrics, such as contractor management and responsible supply chain, we deploy a similar maturity assessment approach as we do for private equity. As an example, the contractor management maturity assessment framework is shown below.

Contractor Management Policy maturity assessment

Elements	Key questions	Maturity level POOR	Maturity level BASIC	Maturity level GOOD	Maturity level BEST PRACTICE
Policy	How institutionalized is the policy?	• No policy in place	• Basic policy in place, but is not focused on material topics, very limited in scope or only applicable to some sites	• Well-defined policy in place, with material topics identified and addressed, applicable to most sites, but no strategy nor objectives are defined	• Comprehensive policy articulating strategy and objectives in place; principles are set on a firm-wide level and implemented for all sites
	How well is the policy communicated?	• N/A	• Employees know there is a policy, but are not familiar with content or implications to their position	• Employees are familiar with the policy but do not understand how to adhere	• Employees fully comprehend the policy and are trained on how to adhere
Authorization	At what level is the contractor management policy approved?	• Local head of contractor management	• Local site head	• COO/CEO	• The Board
	Who is accountable for its implementation?	• Only employees involved in contractor-related operations	• Employees in contractor-related operations and their supervisors	• All employees	• Everyone from the Board to the lowest rank
Responsibility	Who is responsible for contractor management and its related initiatives?	• No responsibility for implementation	• Responsibility lies on local managers	• COO/CEO and cascades to the organization	• The Board
Implementation	How comprehensive is the implementation of contractor management?	• Focus purely on risk and compliance	• Risk, compliance and a broader focus on managing short-term risks	• ESG requirements are written into contracts	• ESG requirements are written into contracts
		• Focus on audit-only approach for high-risk areas	• Comprehensive due diligence on contractors	• Contractor spend allocations are, in part, based on ESG performance	• Focus on long-term risk and opportunity
		• Transactional relationship with contractors			• Monitoring and visibility beyond Tier 1 contractor
Reporting	Does the asset report its contractor management?	• There is no reporting of the contractor management to the Board	• Reporting to the Board not standardized nor on a regular basis	• Contractor management action items are reported to the Board	• Contractor management action items are reported to the Board and externally

Private infrastructure ESG Dashboard

	Environmental						Social						Governance		
	Environmental management	Water management	Regulatory compliance	Waste management	Climate change	Health & safety	Contractor management	Labor standards	Community engagement	Cybersecurity	Bribery & corruption	Active ownership			
Asset	Environmental maturity	Water usage(m3)	No. of environmental incidents	% waste diverted	GHG emissions (tCO2e)	Lost-time incident rate**	Contractor management maturity	No. of non-compliance Incidents	No. of community complaints	Cybersecurity maturity	Anti-bribery/ anti-corruption maturity	No. of Operating Directors			
Midstream energy infrastructure															
Asset A	3.4	3,490	0	-	310*	0.0 ▲	2.9	0	32 ▲	3.6	3.0 ▲	3			
Asset B	2.4	0	0 ▲	-	-	0.0 ▲	1.7	0	0	0	1.0	1			
Asset C	3.7	1,1163	0	-	22,990	0.0 ▲	2.7	0	0	2.3	3.2	1			
Renewable energy															
Asset D	2.1 ▲	100	2	-	6	0.0 ▲	1.0	0	2 ▲	2.1	2.4	3			
Asset E	3.9 ▲	0	0	-	1,949	7.1 ▼	2.0	0	8 ▲	3.5	3.4	3			
Asset F	2.1 ▲	-	0	-	29	0.8 ▼	1.0	0	2 ▲	1.0	3.4	1			
Asset G	3.7 ▲	16,410	0	74%	-	0.0 ▲	3.6	0	20 ▼	3.9	4.0	4			
Asset H	3.1 ▲	4	0	-	-	1.0 ▼	1.4	0	0	3.3 ▲	2.8	0			
Asset I	3.4 ▲	-	0	-	80*	0.0 ▲	2.9	0	0	3.4 ▲	3.4	2			
Telecommunications															
Asset J	3.1 ▲	819	0	-	417	0 ▲	1.0	0	0	1.3 ▲	3.8	3			
Asset K	1.0	-	0	-	9,928	1.2 ▲	2.7	0	0	1.9 ▲	1.4 ▲	2			
Power generation															
Asset L	3.3	368,322	0	0	3,583	0.0 ▲	2.4	0	0	3.1 ▲	1.0	1			

Legend
Materiality
 high medium low

2019 priority ESG topic

2019 ESG engagement performance

- ▲ improvement in performance; target KPI achieved
- ▼ no change in performance; target KPI not achieved
- ▼ deterioration in performance; target KPI not achieved

Note: if assets were unable to report a given metric in 2019 (indicated in the table with a dash "-") but took steps towards being able to track and report it in 2020, this was considered as an improvement in performance.
 * For the climate change column, assets marked with “***” are where the figures available represent a partial GHG footprint.
 ** Lost-time incident rate: the number of workplace incidents that kept employees from coming to work for at least a day.



Murra Warra, a 226MW wind farm in Australia, which will generate enough clean energy to power 210,000 households annually once completed.

ESG engagement case study: Murra Warra Wind Farm

Industry vertical: infrastructure (renewables)

Location: Victoria, Australia

Investment date: September 2018

For more information:

www.murrawarrawindfarm.com 



Over the course of 2018 and 2019, Partners Group invested on behalf of its clients in Murra Warra, a wind farm on a 4,250 hectare site, 25 kilometers north of Horsham in Victoria's Wimmera region. It is one of several renewable energy investments by Partners Group in Australia. Stage one of the project is currently under construction and comprises 61 turbines with an installed capacity of 226MW, making it the first large-scale wind farm in the North Victoria region. Once completed, stage one of Murra Warra is expected to generate enough clean energy to power 210,000 Australian households and offset over 1 million tonnes of carbon emissions every year.

While we have accumulated sector experience through various prior renewable energy transactions in Australia and have built a network of trusted industry advisors, we prioritize understanding and obtaining a "social license to operate" in any infrastructure project. Together with partners on the ground, we pro-actively sought to understand stakeholder interests and concerns, especially the economic impact of the wind farm on local communities, to demonstrate to both public sector and individual stakeholders our commitment to responsible investment.

Engagement focus area: community engagement

Horsham is the major regional center for the Wimmera region and has a population of approximately 15,630. A wind farm of Murra Warra's size understandably injects strong, visible economic stimulus into the community. In particular, the project has provided the following benefits to-date.

- **Support for local jobs:** findings from an independent economic assessment study conducted for Murra Warra suggest that, at its peak, onsite employment in October and November 2018 stood at around 180 full-time employees and the number further increased to 185 full-time employees by February 2019.
- **Financial benefits during construction:** approximately AUD 7.9 million in wages were estimated to be paid to non-local employees working onsite over the period from July 2018 to March 2019, with an estimated AUD 4.4 million or 56% of these wages flowing to businesses in the region on accommodation, retail and services. Approximately 100 subcontractors are also involved in the construction phase, of which around 35 are locally based.
- **Economic benefits during operations:** the wind farm generates revenue for Yarriambiack Shire and Horsham Rural City Council via the Victorian government's PiLoR (payment in lieu of rates) scheme, based on the electricity generated by the project. This revenue will materialize incrementally as the project becomes operational. Besides income returns for landowners, we have also planned and will establish a community benefit fund, contributing an estimated AUD 61,000 per year to support various local activities, including public education programs on renewable energy.



Murra Warra Wind Farm

- Minimizing negative impact on agricultural activities:** the land surrounding the Murra Warra site is largely used for agricultural purposes, and we paid particular attention to minimizing disruption to these surrounding areas. In addition to carrying out the incremental construction of the wind farm, Murra Warra also deployed social media in an effective manner throughout the first stage of construction, providing effective, up-to-date notices of road disruptions to neighboring farms as well as to other stakeholders in the wider region.

Going forward

Construction of the first stage of Murra Warra is scheduled to be fully completed in early 2020. We will continue to engage with the local communities, including setting up partnerships for local education on renewable energy. In addition, we are currently exploring conducting similar economic impact studies for all our direct infrastructure assets to strengthen and inform best practices for stakeholder engagement.

**185 full-time jobs
SUPPORTED**

**AUD 61,000
community benefit
fund to be
ESTABLISHED**

**AUD 4.4 million
GENERATED
for regional businesses**



Murra Warra Wind Farm
Economic Assessment

Find out more about Murra Warra's positive economic impact here:

[murrawarra-windfarm.com/
media/2586635/Murra-Warra-
Wind-Farm-Updated-Economic-
Assessment-April-2018.pdf](http://murrawarra-windfarm.com/media/2586635/Murra-Warra-Wind-Farm-Updated-Economic-Assessment-April-2018.pdf)

Private real estate

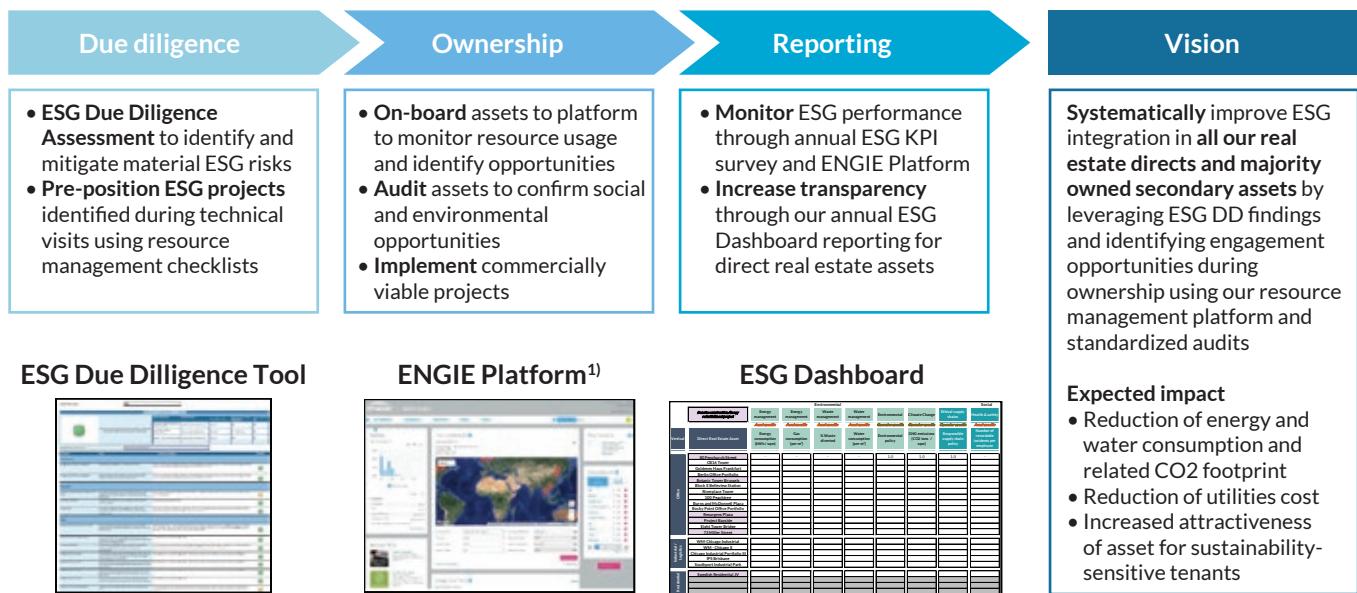
Our real estate investments include new developments and existing properties where there are opportunities to improve the overall operations of the assets. While there are a wide range of material ESG topics that can be addressed during our investment period, we focus on the following areas of impact: resource consumption, contractor health & safety, supply chain management and governance. All these areas are reflected in our first real estate ESG Dashboard, included on page 38.

Our ESG & Sustainability and Private Real Estate teams have put forth significant effort into building a systematic approach to ESG topics in real estate. As owners, we consider sustainable operations and management of our assets an important obligation and a great opportunity. While there are many parties involved in the successful operation of a large portfolio, we have the ability to provide the capital and resources needed to undertake critical energy-efficiency projects and invest in best-in-class new developments that shape the future landscape of commercial property. The implementation of high-quality ESG practices requires the responsibility for these practices to be shared and coordinated between Partners Group, our trusted operators and the many vendors needed for daily operations. We actively seek out local, regional, and national operators with the ability to execute effective ESG policies and practices – some of which are passed down by Partners Group, and some which are spearheaded by the operators themselves. This consistent methodology of partnership is critical to adjust and evolve our ESG practices, which are improving constantly in the world of commercial real estate.

In 2019, we developed an “ESG in real estate” vision, illustrated in the chart below, which simplifies the communication of our approach to business partners and facilitates project implementation during ownership. We will use a single resource-management platform to track the consumption of resources for all of our direct assets and developments. This provides us with a cohesive “dashboard” through which we can monitor and manage our broad portfolio systematically. Additionally, during the due diligence process, we explicitly ask third-party inspectors and energy-auditors to identify important energy efficiency projects as part of our technical visits and include them in our investment underwriting – on top of the data points we already capture ad-hoc in our Asset Management visits – guaranteeing smoother implementation during ownership. Through our engagement with the assets and monitoring of their resource use performance, we can easily track and report the impact of these initiatives going forward.

In 2020, we plan to onboard all our actively managed assets into our resource management platform. As we continue to grow the number of our direct assets and portfolios, the onboarding process will become more intensive, and it will become even more critical for us to maintain our systematic oversight of energy and resource consumption.

We expect the upcoming years to be a transition phase as we continue to systematically integrate specific ESG language into our purchase agreements, joint venture agreements and other supporting vendor contracts to enforce and support a homogeneous approach to all investments and property types.



1) ENGIE Impact's Energy and Sustainability Management Platform is a comprehensive resource management tool that unites energy, water and waste data into one view to deliver powerful insights needed to reduce costs and achieve sustainability goals.

Managing our external investment managers in private real estate

Just as in other asset classes, in real estate, we must ensure that the Operating Partners we work with integrate ESG considerations as comprehensively as we do. For many years now, we have included ESG as part of our due diligence for primary investments, and since 2018, in "traditional" secondary investments. In 2019, we conducted a review of our top 32 managers and found that over 60% of the managers meet our standards on ESG reporting and integration; we plan on engaging with the remaining 40% to improve their processes.

Our private real estate ESG Dashboard

After publishing our first private equity and private infrastructure ESG Dashboards in our 2018 report, in 2019, we created a similar format to reflect the most relevant ESG metrics for real estate assets in order to drive conversations with our operators and increase transparency in the reporting of our progress. In 2019, we included direct assets in the Dashboards and expect to include non-traditional secondaries in our next edition. As some of our direct assets are portfolios, in these cases, we have included the aggregated figures of the underlying assets.

The metrics are divided between E, S, and G, just as in other asset classes, with a slightly higher number of environmental metrics to account for the importance of environmental impact for real estate. We have also included the emissions of each building as part of our commitment to increasing the transparency of our carbon footprint and making efforts to reduce it.

We acknowledge that some of the metrics are asset-specific, such as energy consumption, and some are related to the operators' management of ESG issues, starting with the policies they have set in each of these areas. These are included on the basis that, as we have a relationship with the operator, we can positively influence their practices, which will then result in better management of these topics in our assets.

As in our private equity and private infrastructure ESG Dashboards, we have included both qualitative and quantitative metrics. For metrics that are qualitative, rather than quantitative, in nature, such as contractor management and cybersecurity, we deploy the maturity assessment we use for private equity and private infrastructure to evaluate five dimensions of an asset's (or an operator's) management of that particular ESG topic in a holistic manner. The five dimensions we evaluate are policy, authorization, responsibility, implementation

and reporting. We assign each dimension a score from 1 to 4 and arrive at an overall maturity level for a particular ESG topic by averaging across the dimensions.

For quantitative metrics, we have normalized the inputs to consider the surface area of each asset. Where possible and relevant, we have used the entire surface of the asset. However, in some cases, we have only included common areas, as: (i) in some countries, it is not possible to gather information on tenant consumption, and (ii) for certain assets, such as industrials, we can engage to reduce the resource management of the building, but not the industrial processes the occupying tenant employs.

We have also included materiality in the ESG Dashboard, using a methodology adapted from the one used for private equity and private infrastructure. Materiality is an important consideration in our conceptualization of the ESG Dashboards, as certain topics may gain more importance based on the type of asset under consideration or where the asset is in its lifecycle. For instance, for assets under construction, contractor health & safety are more material than for assets that are fully leased and may have only routine maintenance work being performed on-site.

Finally, the last important element in our Dashboard is the identification of focus areas we have worked on over the past year and the progress made in each area. We have included one focus area per asset in the Dashboard, with the ambition of growing the number of focus areas relevant for each asset by using the resource management tools we are making available to our assets. The arrows shown within the focus areas in the Dashboard indicate whether or not progress was made in that area, taking into consideration not only an asset's performance on a KPI but also whether the asset had a project ongoing in that specific area. For this reason, there are arrows that indicate progress even if no KPI was available.

Vertical	Direct real estate asset	Environmental						Social						Governance		
		Energy management	Energy management	Waste management	Water management	Environmental	Climate change	Ethical supply chains	Health & safety	Responsible contracting	Conduct / bribery & corruption	Cybersecurity	Operator specific	Code of conduct / anti-bribery / anti-corruption	Operator specific	Operator specific
Asset specific	Asset specific	Asset specific	Asset specific	Asset specific	Asset specific	Operator specific	Asset specific	Operator specific	No. of recordable incidents per employee	Responsible contracting maturity	Cybersecurity maturity	Operator				
Energy consumption (kWh / sqm)	Gas consumption (per m3)	% Waste diverted	Water consumption (per m3)	Environmental maturity	GHG Intensity (kg CO2e/sqm)	Responsible supply chain maturity	Operator specific	Operator specific								
Asset A	0.0	0.0	-	0.0	1.4	-	2.2	-	1.2	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Asset B	42.0	▲	0.0	-	0.4	3.0	0.6	2.8	0.0	2.8	2.6	2.6	2.6	2.6	2.6	2.4
Asset C	3.948.1	263.3	47%	10.1	10	4.748.3	1.0	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Asset D	-	▲	-	0.0	2.6	0.02*	2.0	0.0	0.0	1.8	2.6	2.6	2.6	2.6	2.6	2.0
Asset E	90.0	▲	7.8	98%	0.2	2.2	36.2*	1.8	0.0	1.8	1.8	1.8	1.8	1.8	1.8	1.0
Asset F	0.5	-	66%	-	1.8	0.2	1.8	1.0	▲	1.8	1.8	1.8	1.8	1.8	1.8	2.8
Asset G	259.8	▲	0.01	42%	1.2	1.0	118.4	1.0	0.0	0.0	2.0	2.4	2.4	2.4	2.4	2.2
Asset H	193.2	0.01	-	0.5	2.0	▲	947.6*	1.0	0.0	0.0	2.2	2.0	2.0	2.0	2.0	3.0
Asset I	408.6	▲	-	2.8	1.0	2.004.0	1.0	0.0	0.0	2.0	2.4	2.4	2.4	2.4	2.4	2.2
Asset J	135.1	▲	-	64%	0.3	2.4	664.8	1.0	0.0	0.0	2.0	2.0	2.0	2.0	2.0	2.4
Asset K	335.4	0.1	-	0.4	1.8	▲	666.1	1.0	0.0	0.0	2.2	2.0	2.0	2.0	2.0	3.0
Asset L	42.9	▲	3.9	-	3.4	1.0	26.7*	1.0	-	-	2.4	3.0	3.0	3.0	3.0	3.0
Asset M	215.5	-	-	0.0	1.0	1.056.7	1.0	0.0	0.0	1.8	2.2	2.2	2.2	2.2	2.2	2.2
Asset N	97.9	▲	-	-	0.7	1.0	75.4*	2.4	0.0	0.0	3.2	2.0	2.0	2.0	2.0	3.4
Asset O	111.2	▲	-	31.5%	0.3	4.0	85.6	2.8	3.0	2.8	4.0	4.0	4.0	4.0	4.0	4.0
Asset P	114.7	138.8	34%	▲	1.9	2.4	75.3	1.2	0.0	1.6	3.0	3.0	3.0	3.0	3.0	2.8
Asset Q	-	-	▲	-	-	1.2	-	1.0	0.0	2.0	1.0	1.0	1.0	1.0	1.0	2.6
Asset R	-	▲	-	▲	-	1.2	-	1.0	0.0	2.0	1.0	1.0	1.0	1.0	1.0	2.4
Industrial / Logistics	-	-	▲	-	-	1.2	-	1.0	0.0	2.0	1.0	1.0	1.0	1.0	1.0	2.6
Asset S	-	-	▲	-	-	0.03	3.2	1.0	4.0	0.0	4.0	4.0	4.0	4.0	4.0	4.0
Asset T	4.1	▲	-	-	0.02	4.0	▲	0.6	4.0	0.0	4.0	4.0	4.0	4.0	4.0	4.0
Asset U	23.6	-	-	0.0	-	3.0	▲	-	1.8	-	1.4	2.6	2.6	2.6	2.6	3.6
Residential	0.0	0.0	-	0.0	-	0.0	-	-	-	-	-	-	-	-	-	-

Private real estate ESG Dashboard

Legend	Materiality
2019 priority ESG topic	high
2019 engagement performance	medium
Note: if assets were unable to report a given metric in 2019 indicated in the table with a dash “-” but took steps towards being able to track and report it in 2020, this was considered as an improvement in performance.	low

improvement in performance; target KPI achieved
no change in performance; target KPI not achieved
deterioration in performance; target KPI not achieved

* For the climate change column assets marked with *** are where the figures available represent a partial GHG footprint.

ESG engagement case study: Project Cascadian – a high-tech office space

Industry vertical: real estate (office)

Location: Seattle, Washington

Investment date: March 2018



Seattle is a growing tech hub and home to companies looking for well-designed and environmentally sustainable office space for their employees. The city's progressive building policies make it an attractive market for responsible asset managers experienced in sustainability, while creating high barriers to entry for those who are not. In 2019, Partners Group invested on behalf of its clients in Cascadian, a high-tech office development project in Seattle.

Once completed, Cascadian will be a nine-story, over 210,000 feet building with a number of amenities for its tenants, including a green rooftop terrace with protected views of Seattle landmarks, immediate access to key transit routes and public transportation, and close proximity to over 36 food & beverage options and eight gyms/fitness class locations.

Engagement focus area: environmental sustainability

In real estate, sustainability happens even before a shovel hits the ground; preparation, planning, and quality design are critical. For Cascadian, Partners Group achieved LEED BD+C pre-certification at the Platinum level, a leading sustainability accreditation that applies to buildings that are being newly constructed or under heavy renovation.

- **Design:** one of Cascadian most notable features is its highly energy efficient design, exemplified by strategies like high-performance glazing to retain heat and regenerative elevators that exert energy back into the system when the cab is descending. The proposed design reduces energy use to 18.2 kBtu per square foot annually, which is 22% lower than the Seattle Energy Code guidelines for buildings.
- **Consumption:** the building is designed to have a 92 kW photovoltaic array on the rooftop, and a 4 kW glass-canopy array over the roof deck; together, these will represent 8% of the total energy use of the proposed design.

Water-saving plumbing fixtures reduce indoor potable water use by 40% and low emitting building finishes promote high indoor air quality. In addition, Cascadian's landscape design aims to increase native vegetation and the building itself features a vegetated roof.

- **Materials:** the project prioritizes building materials made of recycled content and diverts construction waste from the landfill, with a 75% diversion rate target.

Going forward

Throughout the construction of Cascadian, we will closely monitor the achievement of the building's sustainable design elements and focus on identifying additional energy efficiency measures. Once the office space is constructed, we will onboard it into our resource management platform for all our actively managed real estate assets.

22%
**lower energy
consumption than city
building guidelines**

92 kW
**photovoltaic array on
rooftop**

Private debt

From an ESG perspective, our primary objective for debt investments is risk mitigation, due to our often-limited governance rights. Identifying potential ESG risks as early as possible is critical for potential debt investments, as the investment process is often competitive and moves more quickly than private equity or private infrastructure investments. In 2019, we focused on enhancing our ESG approach to direct debt investments as well as collateralized loan obligations (CLOs).

To enhance our ESG screening for direct debt, the ESG & Sustainability and investment teams partnered to develop a new investment memo template that incorporates ESG considerations at the very first stage of the investment committee process. The template also includes a table outlining a spectrum of ESG-sensitive industries. This new template provides a framework for investment teams to identify risks early in the investment process and present their ESG thesis to the Global Investment Committee during their first committee discussion of the investment.

When potentially material ESG risks are identified, the ESG & Sustainability and investment teams work together to deepen their understanding of material ESG risks through conversations with borrowers, sponsors and external advisors.

One **example** is an investment the Direct Debt team considered in a provider of spare parts and maintenance services to aerospace platforms. From the initial information presented on the investment, it was unclear to the ESG & Sustainability and investment teams whether the company's products or services were directly related to combat, a highly-sensitive ESG topic for Partners Group and our clients. Together, the teams compiled a list of key questions for the sponsor in order to determine potential exposure to combat. Upon learning that 15-20% of the company's revenue was related to combat platforms, we declined the transaction. Although the component parts produced by the company are not used in weapons themselves, they are critical to the operations of attack aircrafts. This violates our Responsible Investment Policy, which stipulates that we do not invest in products or services that cause harm.

When it comes to engaging with our debt investments, we have also taken a step further in 2019 by helping our companies understand and approach material ESG issues.

One **example** is our engagement with **Gong Cha**, a global chain of specialty tea stores, in which we invested debt and an equity kicker in 2019 on behalf of our clients. Founded in Southern Taiwan, Gong Cha has grown to more than 1,000 outlets in 17 countries worldwide. Globally, consumers are rallying against the proliferation of single-use plastics, and governments are responding through regulation. A large portion of Gong Cha's revenue is derived from Korea, where the Ministry of Environment has made a commitment to curb single-use plastic consumption. Japan, another important growth market for Gong Cha, unveiled in 2018 its Resource Circulation Policy for Plastics, which aims to reduce 25% of single-use plastic waste by 2030 and reuse or recycle 100% of plastic waste by 2035.

Both Partners Group and Gong Cha recognize the risks and opportunities these trends present, as Gong Cha's primary products rely heavily on plastic packaging. Our ESG & Sustainability team therefore undertook a research project to understand global regulations, consumer preferences and F&B competitor initiatives, and put together strategy recommendations for Gong Cha's management team with a range of more sustainable options. Our framework informs Gong Cha of potential paths towards reducing, replacing and/or recycling plastics, through design changes, sourcing alternatives, or consumer education efforts. Over 2020, we will continue working with Gong Cha, as well as other stakeholders, to contribute to global plastic solutions.

In addition to direct debt, we also strengthened our ESG approach to CLOs in 2019. We crafted ESG language that is now added to all draft transaction documents for our European and upcoming US CLOs. This new language will limit our exposure to sensitive ESG industries, such as weapons, coal, tar sands, and others.

Outlook

In 2020 and beyond, we will focus on continuous engagement with our portfolio assets, establishing and conducting new portfolio sweeps, including a climate change sweep, and rolling out the Climate Change Strategy we are developing. ESG data management has also become an increasing area of focus for us and we are working on establishing a data management strategy that will enable us to provide even more relevant, accurate and standardized ESG data to our stakeholders. Finally, systematically tracking the ESG performance of our assets during ownership with the aim of exiting each asset with material, proven improvements, will be a development area for us throughout 2020.

Impact investing at Partners Group

Traditional	Negative screening / SRI	Responsible investment / ESG integration	Impact investing		Philanthropy
			Market-rate	Concessionary	
Limited or no focus on ESG factors	Excluding investments based on harmful products, services or practices	Focus on creating and protecting value through consideration of ESG factors	Focus on one or a cluster of issue areas, where social or environmental need creates a commercial growth opportunity for market-rate returns	Focus on one or a cluster of issue areas, where social or environmental need requires some financial trade-off	Focus on one or a cluster of issue areas, where social or environmental need requires 100% financial trade-off

Our methodology

In March 2018, Partners Group launched a dedicated impact-at-scale investment strategy focused on investments that contribute towards achieving the UN Sustainable Development Goals (SDGs). The blended private markets strategy has the dual mandate to achieve attractive risk-adjusted financial returns alongside measurable, positive social and environmental impact.

Our strategy to generate positive environmental and social impact resulted from a combination of client demand, personal commitment from our senior leadership, and conviction that private capital is critically important to achieving the 2030 SDG agenda. Building on our heritage of responsible investment and successful track record of ESG integration and engagement, we have developed our impact-at-scale investment strategy to go one step further by investing in companies whose core products and services contribute to achieving the SDGs, and credibly assess, deliver and report our impact.

Specifically, we aim to bring scale to impact by using:

- our capital to make larger investments in larger enterprises for larger impacts, signaling that measurable impact matters;
- our governance rights to actively engage and imbue "mainstream" management teams with impact sensibilities and effective impact management; and
- our resources to improve the quality of impact due diligence, measurement, and reporting.

We use the Impact Management Project (IMP)'s five dimensions (What, Who, How Much, Contribution and Risk) to frame our impact goals. Specifically, we target SDGs that are a high priority in the countries or regions where a particular

investment operates (What); we target the underserved in relation to those SDGs, whether it is people or the environment (Who); we aim to improve the lives of stakeholders in a lasting (enduring) and meaningful (deep) way – at scale (How Much); we signal that measurable impact matters and engage actively through business-building, active ownership and governance (Contribution); and we aim to invest in companies where the risk that positive impacts will not materialize is relatively low (Risk).

Thought leadership

In 2019, we were proud to become a first adopter of the IFC's newly launched Operating Principles for Impact Management. Throughout 2018 and 2019, we played an active role in developing the Principles, which provide a clear common market standard for what constitutes impact investing, and have been applying them to our impact-at-scale strategy.

Signatories are required to publicly disclose alignment with the Principles and provide regular independent verification of the alignment. We have engaged an external consultant to assure our adherence to the Principles and will publish the results on our website in April 2020.



Find out more about the Principles:
www.impactprinciples.org



Impact management in practice: Techem

A central tenet of our impact-at-scale investment thesis is that active ownership is the primary lever to grow an asset's financial performance while further improving its impact performance. Through acquiring control positions in companies on behalf of our clients, we implement value creation and ESG initiatives which drive financial and social returns and minimize negative impacts. We have created a simple, yet robust, framework for measuring the impact these initiatives have.

Identifying our impact starts during the due diligence process, with the first step being our proprietary impact assessment. During this assessment, we engage an independent provider to build an evidence-based logic model linking a potential investment's core business activities to measurable outputs, outcomes, and impacts that contribute to a specific SDG target.

The assessment also identifies the degree to which our investment would materially contribute to an asset's SDG impact and outlines specific metrics to measure our impact contribution during ownership.

Partners Group's impact contribution: Techem

1. Business building	<p>We identify assets whose core business generates positive impact and then scale that business by leveraging our internal team of industry and ESG experts and business-building toolkits.</p> <ul style="list-style-type: none"> • We are scaling Techem's business by proliferating sub-metering services and accelerating energy efficiency improvements across the company's customers.
2. Impact value creation	<p>We also identify discrete ways in which we can increase an investment's positive impact while also improving operational and/or financial metrics.</p> <ul style="list-style-type: none"> • At Techem, one strategy is developing an app-based interface so that customers can more easily compare their resource consumption to their peers.
3. Working with management	<p>Our active ownership model is highly beneficial in implementing initiatives.</p> <ul style="list-style-type: none"> • Techem's management supports quantifying the company's impact on energy consumption as it has positive effects on government relationships, consumer marketing, employee satisfaction, and their overall business strategy, as they seek to re-position themselves from a "metering" company to an "energy efficiency" company.
4. Ensuring accountability	<p>We establish impact KPIs for all impact investments that are tracked and reported annually.</p> <ul style="list-style-type: none"> • Techem now tracks the reduction in energy consumption achieved for its clients. To monitor our impact contribution, we have also built impact governance into our broader asset management process.

Source: Partners Group, March 2020.

One example that shows how we apply this framework is our investment on behalf of our clients in **Techem**, a European energy infrastructure and services company and market leader in "sub-metering" services. Sub-metering is a cost-efficient way to reduce individual energy and water consumption by providing residential energy consumers with technology and services that offer consumption data on a regular basis and incentivize more efficient resource use through lower costs. Today, Techem's services help avoid more than 7 million tons of CO2 per year.

Our impact assessment for Techem established that by installing and maintaining sub-metering devices in apartment buildings, the company enables better monitoring of energy use and temperature regulation, helping to generate energy efficiency improvements and ultimately advancing SDG target 7.3: to "double the global rate of improvement in energy efficiency by 2030." The assessment also outlined that as Techem's lead investor, we would hold majority governance rights and could use our expertise to enhance the company's impact through strategic and operational improvements, as shown below.



Techem, a market-leader in energy sub-metering services. Through its offering, Techem allows 7 million tons of CO₂ emissions savings per year.

Q&A on sustainability with Andreas Umbach



Andreas Umbach Chairman of Techem

In 2018, you were appointed Chairman of Techem, a Partners Group portfolio company. What attracted you to the company?

There are two aspects to this. On the one hand, I saw a highly attractive business and, on the other, a highly attractive investor.

When I first joined the company, Techem was already a market leader in the energy sub-metering segment but I could see there were additional growth opportunities. Today, Techem makes a clear contribution to global sustainability and climate protection objectives through its existing services but we believe there is potential to achieve a lot more and to transform and reposition the company as a full-service energy efficiency company.

At the same time, I thought it would be interesting to work with an investor like Partners Group that has a strong commitment to sustainability and active ownership. Partners Group's entrepreneurial approach to governance was very appealing to me, and I am excited to play an active role in the value creation process at Techem.

How do Techem's products and services help address climate change and other sustainability priorities?

The average European citizen thinks that the biggest source of CO2 emissions is mobility, i.e. driving and flying. However, in countries with heating systems like Germany and Switzerland, it is actually buildings. In Central Europe, close to half of the emissions we generate come from the heating and air conditioning systems we use in our properties.

Numerous scientific studies have demonstrated that tenants and home owners reduce their energy consumption if they are billed accurately for their individual consumption instead of being billed based on estimated consumption. By providing residential energy consumers with technology that offers

more visible consumption data and incentivizes more efficient resource use, Techem directly contributes to reducing the emissions generated by buildings.

Besides providing more accurate consumption data, Techem also offers numerous other services, such as the optimization of heating systems by means of smart data and artificial intelligence, allowing for further emissions savings. All in all, Techem's products and services help to avoid more than 7 million tons of CO2 emissions per year.

"The average European citizen thinks that the biggest source of CO2 emissions is mobility, i.e. driving and flying. However, in countries with heating systems like Germany and Switzerland, it is actually buildings."

What are the advantages of integrating impact criteria into Techem's business model?

Our customers – landlords and facility managers – are starting to face pressure from their customers – tenants – to show how they contribute to protecting the environment and reducing their CO2 footprint. We not only provide commercial data to our clients but also data that helps them demonstrate that they are actively contributing to energy consumption reduction while also saving costs for their tenants.

In other words, integrating environmental impact criteria into our business model simply allows us to be a better and more sustainable supplier to our customers.

What are the advantages for other stakeholders?

Regulators are also under pressure to meet national and international emissions reduction targets. We believe we can play a big role in educating them as to what can be done to save energy in buildings and have already become a trusted partner to regulators seeking effective climate solutions.

Integrating impact criteria into our business model also allows us to be a more attractive employer for our more than 3,600 employees. We see that when they realize they are contributing to reducing energy consumption, and therefore carbon emissions, it adds a key sense of purpose to the business of energy billing.

Last but not least, any solution that contributes to reducing CO₂ emissions helps society at large and enables us to move one small step closer to solving one of the greatest challenges of our time.

What are Techem's sustainability priorities for the next few years?

First, we are committed to investing in research & development so that we can continue to offer innovative energy efficiency solutions to our clients and solve some of the issues they face. For instance, today, most central heating systems are not optimized or have the wrong set up. Through our newly developed hydraulic balancing solution for heating systems, we can reduce energy consumption by at least 10% without impacting consumer comfort.

Second, we are investing significantly in digitalizing our business. This will allow us to provide real-time consumption data to tenants, improve the quality and speed of our services and, ultimately, become a paperless business.

Finally, within the organization, we remain committed to ensuring the highest standards of health & safety for our employees.

"Any solution that contributes to reducing CO₂ emissions helps society at large and enables us to move one small step closer to solving one of the greatest challenges of our time."

How prominent are ESG and impact topics on the Board's agenda?

Achieving energy savings is the core value proposition of our solutions and further integrating ESG and impact topics into Techem's business model is a large part of our strategic vision for the company. That is why these are fixed agenda items at every Board meeting. We also perform a detailed annual review of all our sustainability initiatives and have additional subject-specific discussions, as and when necessary. Finally, as ESG topics such as cybersecurity can also pose a risk for the company, they are regularly reviewed in our Risk Committee.

How do you see your role as Chairman in ensuring Techem's sustainability priorities are addressed and incorporated into the vision you have for the company?

Our strategic ambition is to transform Techem from a sub-metering into an energy efficiency business. Ensuring that we follow this vision is the easiest part of my job: our management team and shareholders are fully aligned and equally committed to our sustainability roadmap.

Andreas Umbach

Andreas Umbach is a Lead Operating Director at Partners Group and has been the Chairman of Techem Energy Services since the acquisition in August 2018. He has been the Chairman of Landis+Gyr Group AG since its IPO in July 2017. Between 2002 and 2017, Mr. Umbach was the CEO and President/COO of Landis+Gyr. During his tenure as CEO, Landis+Gyr was transformed from an electricity metering product company into the world leader of smart metering solutions for electric utilities. Mr. Umbach has also been the Chairman of SiG Combloc Group AG since its IPO in September 2018. He has served as the President of the Zug Chamber of Industry and Commerce since 2016.

Mr. Umbach is a Swiss and German citizen and holds an MBA from the University of Texas at Austin and an MS (Diplomingenieur) in Mechanical Engineering from the Technical University of Berlin.

Tackling a new SDG: Confluent Health

In 2019, we invested on behalf of our clients in **Confluent Health**, a US-based physical and occupational therapy services provider, which helps address SDG 3.8: "Achieve universal health coverage, including [...] access to quality essential healthcare services." Confluent focuses on developing healthcare systems for physical and occupational therapy providers to recognize, prevent and manage musculoskeletal and movement disorders. The company offers outpatient physical therapy and workplace injury prevention through early intervention and employee screening, and provides advanced and entry-level education for physical therapists.

Confluent's primary impact on SDG 3.8 is achieved through its core business, outpatient physical therapy (PT), which makes up to 85% of Confluent's revenues. Evidence shows that PT is an effective tool for managing chronic pain. Because of this, PT also helps to reduce the risk of long-term opioid use to address pain from musculoskeletal injuries. In fact, an analysis of 88,985 patients with shoulder, neck, knee, or lower back pain, found that early PT was associated with an approximately 10% reduction in subsequent opioid use. Further, PT has also been shown to reduce overall healthcare costs by limiting the need for more expensive procedures, such as surgery and advanced imaging, for certain conditions. Confluent's core business is particularly impactful in the US, where provision and access to healthcare is generally strong, but where access to PT services notably lags other OECD peers.

Based on Confluent's core business, the number of PT patients served, along with patient outcomes, will be the primary impact area that we will track over the life of our investment. In addition, we are also interested in tracking some of the company's secondary impact areas, which are achieved through its other business lines and activities, including the following.

- **Occupational health and safety (OH&S) services**, which can reduce workplace injuries through early intervention and health and wellness services.
- **Post-professional educational programs**, which provide licensed therapists with access to certifications and fellowships, increasing the number of board-certified physical therapists in the US, where currently only 8% are certified.
- **Confluent's insurance payor pilot**, which can help to reduce healthcare costs by partnering with insurance companies to increase access to affordable PT services and limiting the need for advanced imaging and other costly procedures.

During our first few months of ownership at the end of 2019, our ESG & Sustainability team met with the management teams of each of Confluent's business lines to gain a clearer understanding of impact potential. We also started identifying KPIs and data sources that we might use to track Confluent's impact over the lifetime of our investment. In 2020, the ESG & Sustainability team will agree on these KPIs with Confluent and establish baseline impact metrics. We will also identify opportunities to increase business performance through impact management, as we are doing for Techem.

Outlook

In 2020, we will continue to develop our impact assessment methodology as we onboard new assets and maintain our collaboration with relevant industry bodies. We will also assess whether elements from our impact methodology can be applied to the rest of our portfolio in order to further improve our approach to ESG integration throughout the investment lifecycle.

In 2015, Partners Group supported the launch of an independent impact investment firm, **PG Impact Investments AG**. PG Impact Investments' vision is that private investment, innovation and entrepreneurial talent can bring sustainable growth and provide solutions to the challenges facing our 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 challenges. 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 



Corporate philanthropy at Partners Group

Traditional	Negative screening / SRI	Responsible investment / ESG integration	Impact investing		Philanthropy
			Market-rate	Concessionary	
Limited or no focus on ESG factors	Excluding investments based on harmful products, services or practices	Focus on creating and protecting value through consideration of ESG factors	Focus on one or a cluster of issue areas, where social or environmental need creates a commercial growth opportunity for market-rate returns	Focus on one or a cluster of issue areas, where social or environmental need requires some financial trade-off	Focus on one or a cluster of issue areas, where social or environmental need requires 100% financial trade-off

Our approach

We support entrepreneurial non-profit organizations and social enterprises that create positive, high-impact and measurable social and environmental benefits through our employee foundation **PG Impact (Verein)**. Founded in 2006, PG Impact is run entirely by Partners Group employees, who contribute their time and expertise to identifying, evaluating and investing in high-impact projects benefitting disadvantaged populations and the environment.

Grants and impact investments

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

- Grants to non-profit organizations working to address a diverse set of challenging global issues faced by disadvantaged populations. These include organizations promoting education and job skills, health and wellness, and entrepreneurship. There is a preference for organizations operating in a region where Partners Group has a local footprint; however, any organization doing impactful work will be considered.
- Direct impact investments into seed-stage social enterprises with a proven business model and demonstrated measurable social impact. Investment structures are flexible and may take the form of low-interest loans, convertible notes and equity. One hundred percent of any returns from these investments are recycled back into PG Impact for allocation to future projects.

Our progress in 2019

Since its inception, PG Impact has supported 61 projects across the globe with both grants and seed-stage impact investments, committing to 19 projects in 2019 (2018: 13).

2019 grant example: Learning Lions

In 2019, PG Impact provided a grant to Learning Lions, a non-profit organization with the mission to tackle poverty, achieve gender equality, ensure education and promote self-sustainability through Information and Communication Technologies (ICT) education, training and support. The organization operates in the Turkana region of Kenya, where 97% of people (approximately 900,000 inhabitants) live in extreme poverty. The organization enables young adults in impoverished, rural areas of Eastern Africa to live a life full of opportunity while remaining in their home area. Learning Lions won the 2018 Google Impact Challenge for their efforts, the first of its kind to take place in Africa, rewarding innovative organizations that have an impact on society through technology.



Learning Lions

The Learning Lions program is structured into three units:

- LEARNING LIONS trains talented young people without prior IT knowledge in the areas of programming, graphic design and media production through a three-month basic and six-month advanced digital vocational education. Around half of the participants are young women.
- Graduates are then ready to work for global clients, benefiting from the support of DIGITAL LIONS, the organization's fair trade IT-outsourcing agency. Tapping into the billion-dollar market on micro-tasking platforms (Fiverr, Upwork, etc.) and into partnerships with global digital agencies, the graduates can earn far above local standards and continue their professional development.
- Entrepreneurial graduates who feel confident with clients and can join the STARTUP LIONS incubator, which provides them with capital, tools and back-office support.

In these three stages, Learning Lions creates the foundations of a self-sustaining digital growth cluster – even in remote areas so far known only for poverty, droughts and refugee camps.

PG Impact's grant will fund the establishment of an ICT campus in Loropio on the shore of lake Turkana, Kenya, which includes the creation of student dormitories, staff and volunteer rooms, as well as finance the campus' electric grid.

2019 impact investment example: FarmFresh

In 2019, PG Impact provided an impact investment to FarmFresh (FF), a Rwandan agri-processor that sources beans from buyers who work directly with smallholder farmers, and processes them into pre-cooked, "ready-to-eat" nutritional foods for the East African market. FF beans are sold through two channels: (i) premium retail, as a convenience option for the growing middle class; and (ii) bulk, as an optimally nutritious and environmentally friendly alternative to the traditional school meal. In Rwanda, a country with the highest per capita bean consumption globally, FF beans generate impact through increased income for smallholder farmers (USD 55 per year), increased nutritional availability for school children (38% of children are iron-deficient), and responsible consumption (eleven times less energy needed to prepare the meal). PG Impact has provided a loan alongside a co-investment from Ceniarth, an impact-focused family fund operating out of London. This funding will allow FF to expand its bean processing capacity in a new facility. One of the members of Partners Group's Industry Value Creation team will also serve as a board observer in the company.



FarmFresh

Outlook

Our main goal for 2020 is to further increase employee engagement with PG Impact's activities by providing more regular updates on grants, investments and volunteering opportunities across the organization. We will continue to host informative breakfast meetings across our offices, an initiative which we successfully launched in 2019, and roll out an improved impact measurement methodology in 2020. In terms of commitments, we plan to make ten to 15 grants and two to four impact investment in 2020.



Progress report: Corporate governance & risk management

Corporate governance & risk management

Our approach

At Partners Group, we are committed to meeting high standards of corporate governance and risk management practices. This applies both to our own asset management operations as well as to the investments we make on behalf of our clients. We have developed, and continue to update, strategies and procedures specific to our business for managing the main risk categories identified by our Board of Directors. These include strategic and business risks, investment risks, operational risks, financial risks and reputational risks.



Partners Group's risk governance framework



Our progress in 2019

Formalizing oversight of sustainability topics at Board and Executive Committee level

As a firm committed to sustainability, corporate- and investment-related ESG topics have always been important agenda items for both our Board and Executive Committee meetings. In 2019, we decided to formalize our approach to discussing these topics at the most senior levels of our firm by mandating an individual Board and Executive Committee member to oversee these topics within their respective areas. As part of their mandates, independent board member Grace del Rosario-Castaño will oversee corporate- and investment-related ESG topics at Board level, while Co-CEO André Frei will oversee these topics at Executive Committee level. ESG topics are discussed at least once a year by our Board-level Investment Oversight Committee and on an ongoing basis by our Executive Committee, which meets once a week. Topics discussed at both Board and Executive Committee level include human capital development, ESG risks and opportunities within our investments and beyond, cybersecurity, business ethics, regulatory developments and climate change, among others.

In addition, to ensure further commitment to sustainability at management level, we have also included our firm's current ESG and corporate sustainability targets in our overall executive compensation assessment, meaning executive pay is tied to the achievement of these targets, among others. The targets

included are as follows: (i) achieve our 20 by 2020 and 25 by 2025 diversity targets,¹ (ii) ensure at least 90% of employees are trained on ethics-related issues and (iii) establish deep-dive ESG engagements with every one of our lead direct investments. To read more about our approach to executive pay, please see our 2019 Compensation Report.

Executive Committee-level ESG/CSR objectives

- Achieve our 20 by 2020 and 25 by 2025 diversity targets
- Ensure at least 90% of employees are trained on ethics-related issues
- Establish a deep-dive ESG engagement with every one of our lead direct investments

Further building out cyber resilience

Cyber risks continue to be a major factor in the firm's enterprise risk management. We observe an ever-deeper integration of digital technology in all aspects of life and business, driven by the adoption of developments such as cloud technology. While increased digitalization has many positive aspects, it also presents a number of risks. Digital mis-information campaigns and the increasing complexity of differentiating right from wrong with issues such as fake news and identity theft in both our work and personal lives continue to try to expose human beings as the weakest link in our digital protection shields. Further, the rise of artificial intelligence continues, not only for business enablement, but also as a means to attack firms and their employees.

At Partners Group, we use the internationally recognized NIST Cybersecurity Framework for cybersecurity and cyber risk management. Based on this framework, we continuously improve our technology and processes to safeguard our firm against cyber attacks. In line with the priorities identified through our risk assessment, we continue to invest the majority of efforts into further building out mature detection and response capabilities to strengthen our digital resilience.

An important aspect of this in 2019 was the buildup of a 24/7, externally-staffed security operations center (SOC). The SOC currently monitors more than 300 million security-relevant

¹ By 2020, we wish to have female ambassadors at 20 top universities globally in order to attract the next generation of talented young women and, by 2025, we wish to substantially increase the number of our female Partners and Managing Directors to at least 25.

events on a daily basis. We operate the SOC together with a specialized partner in order to leverage expert knowhow and bridge skill and resource gaps. The SOC helps detect suspicious activity in our systems and allows us to react to incidents more quickly. In addition, our education and awareness measures for employees continued throughout 2019, with in-person training sessions conducted up to Board level, disaster recovery and business continuity tests, and firm-wide phishing campaigns.

Next to our internal efforts to strengthen our resilience to cyber attacks, we work with expert service providers to identify potential threats and share cyber intelligence. In 2019, we continued to conduct regular breach tests on our systems together with our partners in order to further validate the security of these systems and the robustness of our processes.

Ensuring solid data protection

Managing the data we receive from our customers, employees, and business partners around the world is an important part of building the strong relationships that are key to our success. Our global data protection framework is based on internationally recognized data protection and privacy principles and guides our collection, use, transfer, release, disclosure, and security of personal data and outlines our expectations of third parties who process data on our behalf. The framework includes policies, information security measures, training and awareness, and business relevant procedures guided by our Data Protection Officer and specialized legal counsel. Additionally, we take care to understand the changing landscape of relevant laws and regulations that may apply to continuously update our global data protection framework. In order to further increase transparency on this matter, in 2019, we published detailed information about our approach to data protection and privacy on our website.



Read about our approach in our
Privacy notice:

[www.partnersgroup.com/en/
about/corporate-governance/
policies-directives](http://www.partnersgroup.com/en/about/corporate-governance/policies-directives)



Implementing our Operational Excellence program

We recognize that operational risks are inherent to all of Partners Group's business and support activities. Operational risks may be due to inadequate internal processes and systems or external events. Hence, risk management and risk control related to key operational internal processes is crucial. We have established an operational Internal Control System (ICS) and maintain an internal control structure that monitors compliance with established policies and procedures. The ICS is established and refreshed based on the ongoing assessment of the risks facing our firm.

To further strengthen this system, in 2019, we initiated an Operational Excellence program which aims to increase the reliability and scalability of internal controls across three key dimensions: people, processes and systems. One of the key measures underpinning the program is the implementation of 17 Principles for Operational Excellence (the "Principles") that all our employees are expected to live up to. The Principles have been outlined in the form of a booklet and rolled out through dedicated training days for all employees within our Services and Corporate departments and other operational functions. They define Partners Group's best practices for our day-to-day operations and services and reflect our organizational learnings of the last two decades. Further, the Principles guide us on how to operate effectively, ensure quality and manage operational risks adequately.

In 2019, 17 training days were held across Europe, Asia, and the US, with more than 650 employees attending. Each interactive session was led by a member of the Executive Committee and attended by employees across different areas of the business and levels of seniority. The sessions consisted of interactive workshops, experience sharing, educational sessions, and discussions with internal or external speakers. They reinforced the Principles for Operational Excellence to help our employees ensure organizational learning, facilitate the management of operational risks and guide employees on how to avoid these risks. Through these sessions, employees were encouraged to discuss and brainstorm on applying these 17 core principles in their daily work, as well as provide suggestions on how to improve current operational processes.

Outlook

From an operational perspective, our Operational Excellence initiative will remain a major focus in 2020 as we further refine our operating model across the firm. Additional workshops will be organized around some of our major processes in order to add clarity on ownership aspects, risks, controls and introduce common risk concepts and language for all the main teams involved in these processes. Data management will also be a focus topic as we continue to tackle areas such as data ownership, data entry & validation, data structure & systems, data usage & protection and data retention practices. We will also continue to test the resilience of our organization and IT systems to external attacks and enhance our business continuity and disaster recovery plans as needed.



"The consistent feedback by clients is that the integration of our teams and the quality of our operations are one of the most differentiating and impressive factors about Partners Group. Our new Operational Excellence Principles allow our clients, as well as our colleagues, business partners and shareholders, to further strengthen their trust in our platform."

Eicke Schinn, Global Head Product Accounting



Progress report: Financial performance

Our approach

As a private markets investment manager, we aim to deliver our clients superior investment performance, realizing the potential of private markets through our integrated platform. Our investment results enhance the prosperity of our clients, who ultimately are millions of individual beneficiaries around the globe. At the same time, we are also thankful for the support of our shareholders and strive for attractive financial returns and a premium valuation to honor their long-term confidence.



Read about our approach in our
2019 Annual Report:
report.partnersgroup.com/2019/



Our results in 2019

Strong client demand and the continued success of our investment activities enabled us to generate a solid 13% increase in assets under management (AuM) in 2019. During the same period, underlying portfolio realizations amounted to USD 11.0 billion (2018: USD 13.4 billion). The market uncertainty at the beginning of the year, caused by the market correction in Q4 2018, led us to postpone certain divestment decisions and, ultimately, resulted in a lower number of realizations in the first half of the year. However, supported by a benign exit environment in the second half of the year, we successfully exited many mature assets and saw a disproportional increase in performance fees from CHF 130 million in H1 2019 to CHF 343 million in H2 2019, bringing full-year performance fees to CHF 473 million.

As a result, total revenues¹ rose 21% to CHF 1,610 million during the period. To support underlying business growth, we have intensified the build-out of our teams across the entire platform over the last twelve months. The growth in average number of FTEs was 20% in 2019 (2018: +14%), partially driven

1 Revenues from management services, net, and including other operating income.

Key financials

	2018	2019	Growth
AuM as of the end of the year (in USD bn) ¹⁾	83.3	94.1	+13%
AuM as of 31 December 2019 (in CHF bn)	82.1	91.1	+11%
Average AuM as of the end of the year (in CHF bn)	77.6	88.4	+14%
Revenue margin ^{2),3)}	1.71%	1.82%	
Attributable to management fee margin ⁴⁾	76%	71%	
Attributable to performance fee margin	24%	29%	
Revenues (in CHF m) ³⁾	1,326	1,610	+21%
Management fees (in CHF m) ⁴⁾	1,002	1,138	+14%
Performance fees (in CHF m)	324	473	+46%
EBIT (in CHF m) ⁵⁾	865	1,008	+17%
EBIT margin ⁵⁾	65%	63%	
Profit (in CHF m)	769	900	+17%

1) As of 31 December 2019, we have aligned our AuM reporting currency with our investment activity reporting currency by switching to USD. 2) Based on average AuM, calculated on a daily basis. 3) Revenues from management services, net, and other operating income. 4) Management fees include recurring management fees and other revenues, net, and other operating income. 5) EBIT has replaced EBITDA as the firm's key performance indicator as it will be a more suitable measure of operating performance going forward.

by delayed hires for approved 2018 positions, which were carried over into 2019. This resulted in an increase of regular personnel expenses of 24% in 2019 (2018: +17%), which compares to an increase in management fees of 14% (2018: +15%).

Strong team growth globally in 2019

# of professionals	Americas	Europe	APAC
Investments	+47	+58	+23
Clients	+7	+16	+13
Services	+8	+9	+41
Corporate	+12	+2	+25
Total (+261)	+74	+85	+102

Note: from 1 January to 31 December 2019.

Further to this, the strong increase in performance fees (+46%) led to a corresponding increase in performance fee-related compensation,² lifting total personnel expenses disproportionately by +30% compared to the 21% growth in total revenues. As a result, total EBIT increased by 17% to CHF 1,008 million (2018: 865 million). The EBIT margin stands at 63% (2018: 65%). Profit increased by 17% year-on-year to CHF 900 million (2018: CHF 769 million), in line with EBIT growth.

² Each year, our Nomination & Compensation Committee allocates up to 40% of recognized performance fees to the Performance Fee Compensation Pool which is then distributed to an eligible group of employees.

Personnel expenses outgrew revenues

(in CHF m)

	2018	2019
Revenues	1,326	+21%
Total costs, of which	-461	+31%
Personnel expenses	-377	+30%
<i>Personnel expenses (regular)</i>	-247	+24%
<i>Personnel expenses (performance-fee-related)</i>	-129	+43%
Operating expenses	-68	+16%
Depreciation & amortization ¹⁾	-17	+101%
EBIT	865	+17%
EBIT margin	65%	-2%-points
		63%

Note: revenues include management fees and other revenues, net, performance fees and other operating income. Regular personnel expenses exclude performance fee-related expenses. Performance-fee-related personnel expenses are calculated on an up to 40% operating cost-income ratio on revenues stemming from performance fees.

¹⁾ The increase was mainly driven by CHF 13 million of depreciation on newly recognized right-of-use assets in relation to lease contracts as required by the newly adopted IFRS 16. Until 2018, these lease expenses were reported as part of other operating expenses.

Outlook

We see solid demand for our traditional and tailored private market programs, as well as for our evergreen programs, from clients across the globe. We expect this demand to translate into additional management fees and therefore guide towards an increase in management fees alongside an increase in AuM.

We continue to expect full-year performance fees to remain within our guidance of around 20-30% as a proportion of total revenues. However, due to the market circumstances and visibility we have on our exit pipeline in 2020, we estimate that performance fees will be significantly skewed to the second half of 2020.

We continue to steer the operating margin towards our target EBIT margin of ~60% for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees. This means that we anticipate the number of professionals and personnel expenses to return to growing more in line with AuM in 2020 and beyond, after 2019's outsized hiring year.

Our balance sheet remains strong. With CHF 2.3 billion in shareholder equity and CHF 1.0 billion net liquidity, we feel well-equipped to realize the potential of private markets in different economic environments.



Progress report: Human capital development

Human capital development

Our approach

At Partners Group, we recognize that our people are our most important asset. We aim to attract and retain unique and diverse professionals by offering them a great place to work and the opportunity to grow, both professionally and personally.

Our people in 2019

In 2019, we continued to hire talented professionals from across the globe and expanded our platform to 1,464 employees (2018: 1,203). This means we created 261 new jobs in one year. The percentage of female (40%) and male (60%) employees remained at around the same level as in 2018. Similarly, the overall age breakdown of our employees globally remained largely in line with the previous year. In terms of nationalities, our professionals today represent around 60 different nationalities and speak over 30 different languages.

As a growing firm, we want to ensure that we not only hire new talent but also retain our existing talent. We thus monitor our retention rate closely in order to assess whether we are maintaining the right balance between hiring and retaining. In 2019, our turnover rate of 11.4% (2018: 16.5%) was within our expected turnover range of 10-15%.



Read more about working at Partners Group on our **Careers Portal**:
www.jobs.partnersgroup.com 

Read about our culture and values in our **Charter**:
www.partnersgroup.com/charter 

Read about our approach to employee compensation and benefits in our **2019 Compensation Report**:
www.partnersgroup.com/compensation-report 



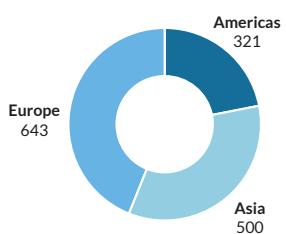
Employees attending Partners Group's Corporate Day

2019 employee information

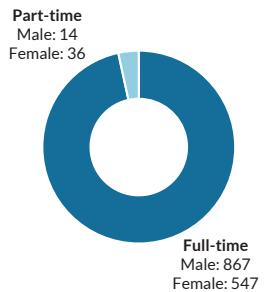
Headcount (HC) by rank and gender			
Rank	Female	Male	Total
Junior	274	208	482
Mid-level	237	366	603
Senior	63	214	277
Managing Directors & Partners	9	93	102
Total	583 (40%)	881 (60%)	1,464

Note: "junior" includes the ranks of Assistant and Financial Analyst; "mid-level" includes the ranks of Associate and Assistant Vice President; and "senior" includes the ranks of Vice President and Senior Vice President.

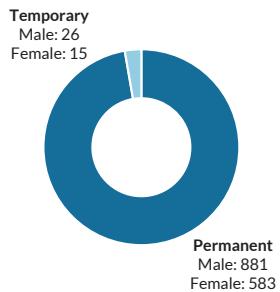
HC by region



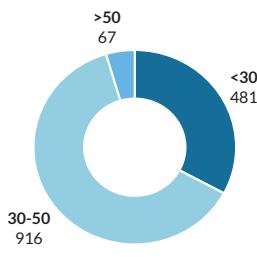
HC by employee type



HC by employment contract¹⁾



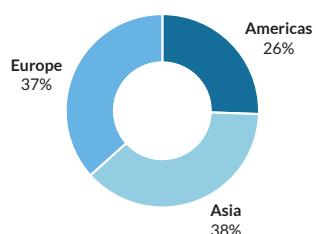
HC by age group



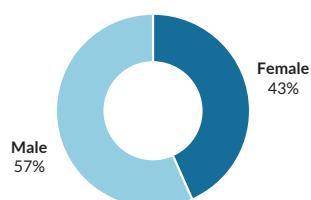
1) HC by employment contract, by region is as follows, Americas: 1; Asia: 6; Europe: 34.

2019 new joiner information

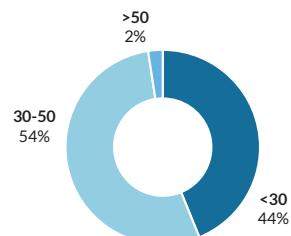
New joiners by region



New joiners by gender

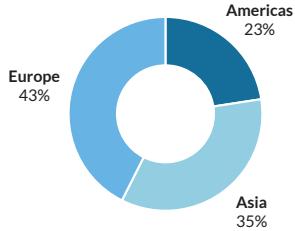


New joiners by age group

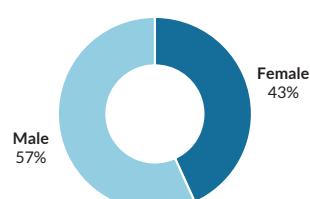


2019 leaver information

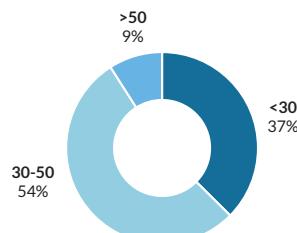
Leavers by region



Leavers by gender



Leavers by age group



Note: as of 31 December 2019.
Source: Partners Group.

Our progress in 2019

Enhanced employee training and development: PG Academy

In line with the purpose and vision of our Charter, we aim to grow our people personally and professionally. We are committed to continuous learning and substantially invest in the training and development of our employees. In 2019, we decided to further institutionalize our approach following the results of our employee survey and established a preferred learning and development platform – our PG Academy.

The objective of PG Academy is to make targeted business and technical skills training, as well as leadership development programs, available across various levels group-wide. The development of our leaders and employees is one of the foundations of our long-term success and a big part of what makes Partners Group a great place to work. We encourage our employees to take ownership of their personal and professional development and to buy into our philosophy of life-long continuous learning.

PG Academy offers module-based skills trainings in a number of areas including project management, communication, presentation, interview skills, unconscious bias, anti-harassment, and languages. We are currently instating PG Academy as our preferred training platform and providing business and technical skills training firm-wide.

To support our firm's leaders, we have also designed leadership development programs across three levels (Emerging Leaders, Experienced Leaders, Senior Leaders) and plan to train over 400 leaders in 2020. In addition, we are expanding and enhancing our Learning and Development Policy, which will provide clearer guidelines around how we manage learning and development in a consistent and fair manner across the firm for both full-time and part-time employees.

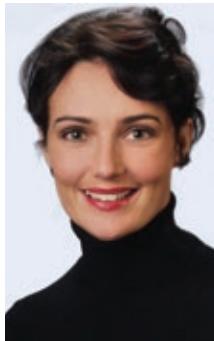
Continued focus on diversity and inclusion

At Partners Group, we are committed to promoting a diversity of perspectives, skills and backgrounds as we believe this makes us better at what we do. In 2019, we launched a Diversity and Inclusion Working Group (DIWG), composed of seven professionals representing a broad spectrum of functions and geographies from across the business. The DIWG is responsible for the coordination of initiatives to advocate and promote diversity and inclusion at Partners Group. It works as a consultant to our Executive Committee on diversity and inclusion topics and acts as a bridge between Partners Group employees and senior management.

The mandate for the DIWG in 2019 focused primarily on gender diversity. Focus topics included mentoring for female employees, parenthood, and skills training. During the course of the year, the DIWG collaborated with the Executive Committee to introduce a global policy on Flexible Working and updated the guidelines on Childcare Leave. In addition, the DIWG launched several specific initiatives, as follows:

- **PG Coaching Program:** Partners Group offers a formal buddy program for junior professionals that is intended to be a structured introduction for employees beginning their career at the firm. Additionally, employees at all levels of the organization can participate in Partners Group's mentoring program ("PG Mentoring Program"); a flexible program in which individuals are responsible for identifying and approaching a mentor, as well as managing all aspects of the relationship.

However, in its internal outreach, the DIWG realized there was demand from high potential, mid-level professionals ("Emerging Leaders") for a more structured coaching program and for help finding suitable coaches. The PG Coaching Program, which is running as a pilot throughout 2020, is intended to offer a thoughtful matching process as a solution to these concerns.



"With PG Academy, we are offering a dedicated learning platform to support continuous development. We aim to equip our people with the knowledge and skills needed in their functions, enabling them to develop and progress in their careers and become exceptional business people and leaders."

Amanda Evans, Global Head Learning & Development



The PG Coaching Program offers a one-year coaching relationship to professionals identified as Emerging Leaders that is focused on building the skills necessary for them to continue emerging as valuable contributors and leaders at Partners Group.

- **Parent Buddy Program:** The Parent Buddy Program enhances our inclusive culture and encourages new parents to return to and reintegrate at work after having children. It supports any member of staff within Partners Group during pregnancy, parental or adoption childcare leave and their return to work, regardless of whether they are a primary or secondary caregiver.

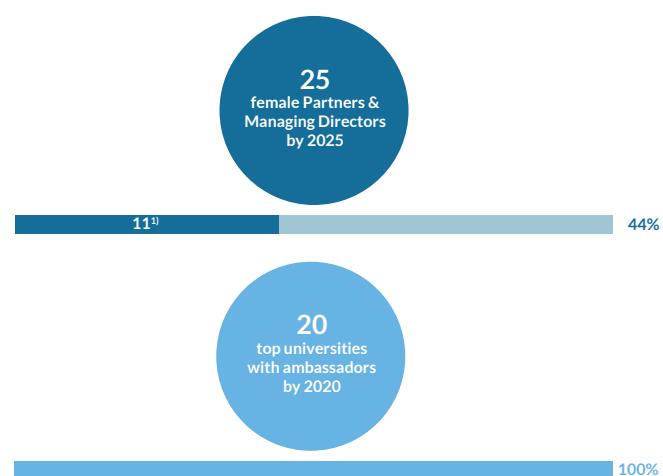
The Parent Buddy Program is a voluntary program, which works by matching experienced parents with those preparing for parenthood or newly returning to work.

- **Emergency Childcare provision:** Through our investment in KinderCare, the largest for-profit provider of early childhood education and care services in the US, Partners Group is exploring the provision of emergency childcare services to our employees in the US. Once that benefit has been successfully launched, the DIWG plans to roll out an equivalent benefit to employees in other large Partners Group offices globally.

Achieving our diversity targets

In 2018, we committed to actively promoting gender diversity at Partners Group and in private markets and set ourselves two targets in order to track our progress. By 2020, we wished to have Partners Group female ambassadors assigned to 20 top universities globally in order to help attract the next generation of talented young women. By 2025, we wish to substantially increase the number of our female Partners and Managing Directors to at least 25.

We have currently achieved 100% of our 20 by 2020 target and 44% of our 25 by 2025 target.



¹⁾ Figure includes members of our Board of Directors.
Note: data as of 31 December 2019.

We continue to work towards the remaining target through the employee development and diversity and inclusion initiatives outlined above and through targeted recruitment initiatives.

In late 2018, we established our Diversity Summer Internship Program, a unique opportunity for female university students with top credentials to experience a taste of the exciting career on offer at a world-leading private markets investment manager. The 8- to 10-week summer internship is open to top-performing female undergraduate or postgraduate students with diverse backgrounds in the final stages of their studies. The internship provides participants with hands-on experience and project work in one or two of our investment or value creation teams. Successful program participants are invited to apply for a permanent role at Partners Group.

Going forward, we expect the internship to be a major source of candidates for our Analyst Program. The first iteration of the internship, during the summer of 2019, was a big success, with

full-time positions offered to 35% of participants. In 2019, we started recruiting for our 2020 Diversity Summer Internship Program and hope to find just as many talented students to join our platform.

Outlook

In 2020, empowering our employees to achieve ownership excellence will continue to be a major area of focus. In particular, we will work on rolling out our PG Academy learning and development platform firm-wide and on adding e-learning modules with best-in-class third party providers to enable skills self-education. Promoting diversity and inclusion and fostering employee engagement will also remain strong focus areas in 2020 and beyond.



"I was interested in working with Partners Group during the summer because I knew I wanted to pivot into investing. I would like to have a life-long career in the industry and Partners Group was very attractive for several reasons: it is one of the top-tier firms in the industry so I knew if I was able to work here I would get a great opportunity to learn, great training, and really be immersed in the industry – I also really liked the culture."

Kelly Goldstein, Summer Intern



"Partners Group is a very diverse space with people from different walks of life, from different backgrounds and with different experiences. It is very important to give yourself the opportunity to immerse in that working environment and see if you pick up new skills and can think differently from what you are used to."

Nana Mohan Zhou, Summer Intern



Progress report: Business ethics

Business ethics

Our approach

We recognize that in our industry, reputation and trust are of utmost importance. Since our inception, we have strived to cultivate a strong culture of ethics throughout the firm to ensure our clients' interests are always at the forefront of our activities. We are committed to preserving our high legal, ethical and moral standards and aim to foster and encourage a culture of strict compliance with local and international laws and regulations.



Read about our approach in our **Code of Conduct:**

[www.partnersgroup.com/
code-of-conduct](http://www.partnersgroup.com/code-of-conduct)



Our progress in 2019

Managing legal and regulatory compliance

As an investment firm operating in multiple jurisdictions globally, we are committed to fostering a culture of compliance with local and international laws and regulations and to adequately managing any risks that may arise in these areas. As our industry has increased significantly in complexity and scale, we have invested substantially in our Compliance Monitoring team to enhance its controlling and monitoring activities in the regulatory area.

In 2019, our Compliance team further invested in technology to enhance its services and support the growth of our firm. The team has implemented a machine learning tool for reviewing the securities trading reports all employee are required to submit on a quarterly basis and a new International Marketing Controls application. The application gathers data on international marketing activities from a range of sources, analyses it and flags potential issues for review, enabling the team to perform their monitoring and review activities in a more efficient and scalable manner.

Enhancing our compliance training programs

Following the introduction of a new online learning management system in 2018, our Compliance team continued to enhance the system in order to make the firm's annual group-wide compliance training program more user-friendly for employees. This included adding further audio and video support to the program and providing an in-depth, interactive breakdown of the firm's group policies and directives. The new system also enabled the team to launch more frequent and personalized trainings throughout the year, specifically tailored to an employee's function and jurisdiction.

Increasing tax transparency

In accordance with our Code of Conduct and our Charter, we aim to act as a good corporate citizen, paying the correct amount of tax at the correct time. We aim to do this by ensuring that we manage and report our tax affairs in a manner that safeguards compliance with international tax guidelines and all applicable tax laws and obligations in each country in which we operate.

In order to further increase transparency on this matter, in 2019, we published our group-wide Tax Policy, explaining our approach to tax, tax governance and risk management, tax compliance, and our relationship with tax authorities.



Read about our approach in our **Tax Policy:**

[www.partnersgroup.com/en/
about/corporate-governance/
policies-directives](http://www.partnersgroup.com/en/about/corporate-governance/policies-directives)



Outlook

In 2020, we will continue to foster a strong culture of ethics and compliance with local and international laws and regulations. Our Compliance team will also explore options to further enhance our marketing materials review tool. This will enable the team to conduct its control and monitoring activities around gifts, entertainment, personal account dealing and marketing content in a more scalable and efficient manner.



Progress report: Environment

Environment

Our approach

In line with our Group Environmental Policy, we are fully committed to reducing the consumption of resources and improving the efficiency of their use by managing waste and applying the principles of reducing, re-using 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.

In addition, in line with the group-wide Climate Change Strategy we are developing, we aim to manage climate risks and impacts across our firm and our investment portfolio. Our approach to climate change aligns with the four core elements of the Task Force on Climate-related Financial Disclosures: governance, strategy, risk management, and metrics and targets. We have embedded this approach into the key stages of our investment and ownership process, from sourcing and due diligence through ownership to exit.

Our progress in 2019

Continued focus on investments in renewable energy and energy stability

Renewable energy is on a steep global growth trajectory, which is underpinned by its increasingly competitive cost, the phasing-out of coal generation in most developed countries, and a general trend toward electrification. Recent estimates project that USD 5.6 trillion of investment into renewable energy systems will be required annually to satisfy demand and that the global share of renewable generation capacity will increase from 27% today to 64% in 2050.

However, with the penetration of more renewable generation into the system comes the challenge of intermittency. Energy grids become more volatile, and the risk of major economic and social impact increases, as evidenced by the blackout in the UK in August 2019, for instance. Therefore, in addition to our continued focus on building out renewable generation capacity globally, we also focus on infrastructure investments that ensure greater energy reliability. We believe that a range of strategies and technologies will be required to tackle the intermittency challenge, including battery storage, additional peaking gas-fired generation, smart meters, and increased interconnection.

Developing a Climate Change Strategy and offsetting the impact of our business travel

In 2019, we began to formalize our approach to assessing and managing the climate-related risks and opportunities of our investments with the development of a dedicated Climate Change Strategy. In addition, we committed to fully offsetting our CO₂ emissions from corporate air travel, our firm's greatest source of direct GHG emissions. In 2019, we offset close to 16,000 metric tons of CO₂e generated by our global air travel activities throughout the year. To read more about these initiatives, please refer to our dedicated climate change section on pages 10-15.



33,799,192 passenger miles

Distance travelled for business trips in 2019

= 15,710 metric tons of CO₂e 100% offset

Note: figures show passenger miles traveled by air for business trips between January–December 2019.

Our environmental commitments



Partners Group voluntarily participates in the **Carbon Disclosure Project** (CDP). CDP is an independent, not-for-profit organization which holds the largest database of corporate climate change information in the world and has become the leading standard for carbon methodology and process while providing comprehensive climate change data to the global marketplace.

Outlook

While developing a group-wide Climate Change Strategy was another significant sustainability achievement for Partners Group in 2019, we acknowledge that it is only a first step towards adequately tackling the complex issue of climate change. In 2020 and beyond, we will maintain our focus on investing in sectors that help address the impacts of climate change and will explore options to further reduce our firm's impact on the environment.



Renewable energy is a key focus area for Partners Group. As of end of 2019, we have a renewable energy portfolio totaling 4.8GW in generation capacity, of which 2.7GW is currently under construction. This is enough clean energy capacity to power over 3 million households.



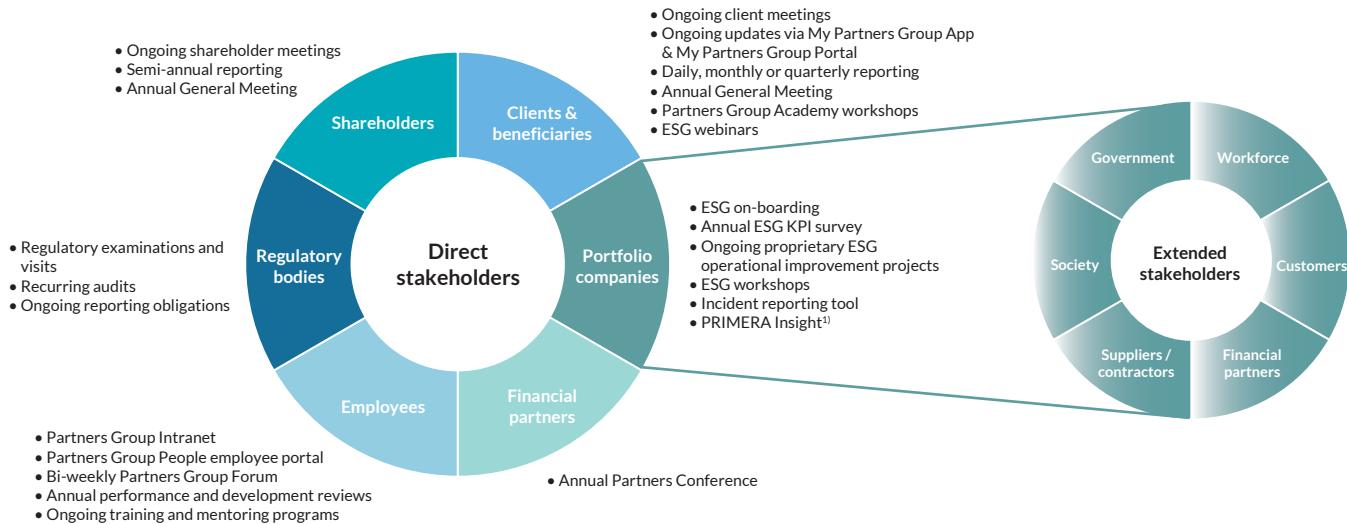
In 2019, Partners Group committed to fully **offsetting its CO2 emissions** from corporate air travel. To achieve this, we have teamed up with Natural Capital Partners, a leading provider of innovative environmental solutions. Together, we have built a global portfolio of low carbon sustainable development projects that we are financing in order to offset our CO2 emissions according to the highest international standards.

Materiality assessment methodology

Materiality assessment methodology

In developing this report, we have employed the GRI Reporting Principles for defining report content and quality. 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 ESG & Sustainability 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 group. Through these channels, informal feedback was collected about the sustainability topics each group considers to be most relevant in their relationship with Partners Group. Based on these inputs, we identified the material topics that should be covered in this report, taking into account the degree to which Partners Group has control over each issue. The full list of identified material topics can be found in our GRI Content Index.

Partners Group's stakeholders and engagement channels



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

1) PRIMERA Insight is a proprietary artificial intelligence-based tool used to scour daily news outlets for ESG-critical incidents in both current and prospective holdings.

Our approach to stakeholder engagement

The chart below shows the direct and extended stakeholders identified in our stakeholder assessment process, as well as the engagement channels established with each direct stakeholder group. For all direct stakeholders, as well as for Partners Group itself, one of the most material issues identified 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 ESG integration and engagement.



GRI Content Index

GRI Content Index

GRI Content Index

The table below indicates where information relating to the Global Reporting Initiative Standards is located in Partners Group's 2019 Corporate Sustainability Report and Annual Report or in other Partners Group materials.

General Disclosures

GRI 102: General Disclosures 2016		
Disclosure	Description	Response / location
Organizational profile		
102-1	Name of the organization.	Partners Group Holding AG (Partners Group)
102-2	Activities, brands, products and services.	Corporate Sustainability Report 2019 (CSR) , Partners Group at a glance, pp. 6-7 <i>Find out more:</i> partnersgroup.com/businesses
102-3	Location of headquarters.	Baar-Zug, Switzerland
102-4	Location of operations.	CSR , Partners Group at a glance, pp. 6-7 <i>Find out more:</i> partnersgroup.com/our-offices
102-5	Ownership and legal form.	Corporate Governance Report 2019 (CGR) , 1. Group structure and shareholders, p. 149
102-6	Markets served.	CSR , Partners Group at a glance, pp. 6-7
102-7	Scale of the organization.	CSR , Partners Group at a glance, pp. 6-7 Annual Report 2019 (AR) , Key figures, pp. 4-5
102-8	Information on employees and other workers.	CSR , Employee information, p. 58
102-9	Supply chain.	As a private markets investment manager, Partners Group works with a number of third party service providers that support its day-to-day business operations. In all dealings with any third parties, Partners Group applies the principles, policies and directives summarized in its Code of Conduct .
102-10	Significant changes to the organization and its supply chain.	No significant changes took place during the reporting period.
102-11	Precautionary Principle or approach.	Partners Group's risk management is an ongoing process under the leadership and supervision of the Executive Committee. CGR , 3.7.2 Risk management process, pp. 167-168
102-12	External initiatives.	CSR , Partners Group at a glance, pp. 6-7 CSR , Our environmental commitments, p. 66

Disclosure	Description	Response / location
102-13	Membership of associations.	<p>Industry associations:</p> <ul style="list-style-type: none"> • ABVCAP (Brazilian Private Equity & Venture Capital Association) • Advance • AVCAL (Australian Private Equity & Venture Capital Association) • BVCA (British Private Equity and Venture Capital Association) • Corporate Pension Network, Japan (supporting member) • DCIIA (Defined Contribution Institutional Investors Association) • DCREC (Defined Contribution Real Estate Council) • Him For Her • IIF (Institute of International Finance) • ILPA (Institutional Limited Partners Association) • INREV (European Association for Investors in Non-Listed Real Estate Vehicles) • Invest Europe • JIAA (Japan Investment Advisers Association) • LAVCA (Latin American Venture Capital Association) • Level 20 • LPEA (Luxembourg Private Equity & Venture Capital Association) • PREA (Pension Real Estate Association) • SECA (Swiss Private Equity & Corporate Finance Association) • SFAMA (Swiss Funds & Asset Management Association) • SVCA (Singapore Venture Capital & Private Equity Association) • Swiss Sustainable Finance • UN PRI (Principles for Responsible Investment)
Strategy		
102-14	Statement from senior decision-maker.	CSR , A note from the Chairman, p. 4-5
Ethics and integrity		
102-16	Values, principles, standards and norms of behavior.	Partners Group Charter Partners Group Code of Conduct
Governance		
102-18	Governance structure.	CGR

Disclosure	Description	Response / location
Stakeholder engagement		
102-40	List of stakeholder groups.	CSR , Materiality assessment methodology, p. 67
102-41	Collective bargaining agreements.	1.3% of Partners Group's employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders.	CSR , Materiality assessment methodology, p. 67
102-43	Approach to stakeholder engagement.	CSR , Materiality assessment methodology, p. 67
102-44	Key topics and concerns raised.	CSR , Materiality assessment, p. 16
Reporting practice		
102-45	Entities included in the consolidated financial statements.	AR , 1. Reporting entity, p. 48
102-46	Defining report content and topic boundaries.	CSR , Materiality assessment, p. 16 CSR , Materiality assessment methodology, p. 67
102-47	List of material topics.	CSR , Materiality assessment, p. 16
102-48	Restatements of information.	No significant restatements compared to the previous reporting period. Any restatements are provided for the purpose of year-on-year comparison or to signal that there have been no material changes to Partners Group's approach.
102-49	Changes in reporting.	No significant changes from previous reporting periods in the list of material topics and topic boundaries.
102-50	Reporting period.	Calendar year 2019.
102-51	Date of most recent report.	Corporate Sustainability Report 2018 , published March 2019.
102-52	Reporting cycle.	Annual.
102-53	Contact point for questions regarding the report.	CSR , Contacts, p. 74
102-54	Claims of reporting in accordance with the GRI Standards.	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index.	The GRI content index (this document) is in accordance with the GRI Standards.
102-56	External assurance.	At this time, Partners Group does not seek external assurance for its ESG and Corporate Responsibility Report. Partners Group's consolidated financial statements and Compensation Report are externally audited.

Material topics

The table below lists the material topics identified during Partners Group's materiality assessment process (see [CSR](#), p. 16). All topics identified pertain directly to Partners Group Holding AG and entities controlled by it.

Disclosure	Description	Response / location
Economic performance		
GRI 201: Economic Performance 2016		
201-1	Direct economic value generated and distributed.	CSR , Financial performance, p. 54-55
Indirect economic impacts		
GRI 203: Indirect Economic Impacts 2016		
203-1	Infrastructure investments and services supported.	AR , Investments, pp. 10-16
Anti-corruption and responsible business practices		
GRI 205: Anti-corruption 2016		
205-2	Communication and training about anti-corruption policies and procedures.	Partners Group's Code of Conduct summarizes the key directives, policies, practices and values, including our anti-corruption policies, which enable us to maintain high standards of business conduct. To ensure all employees are fully aware of the contents of the directives it summarizes, we conduct targeted training and education sessions on those directives. On an annual basis, all employees globally, including all members of our Board of Directors and Executive Committee, are required to take and pass a number of online compliance training programs to ensure these documents have been thoroughly understood.
Environmental compliance		
GRI 307: Environmental Compliance 2016		
307-1	Non-compliance with environmental laws and regulations.	During the reporting period, no instances of non-compliance with environmental laws or regulations resulting in fines or non-monetary sanctions from competent authorities were identified.
Human capital management		
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover.	CSR , Our people in 2019, pp. 57-58
GRI 404: Training and Education 2016		
404-2	Programs for upgrading employee skills and transition assistance programs.	CSR , Our progress in 2019, pp. 59-60
404-3	Percentage of employees receiving regular performance and career development reviews.	All Partners Group employees receive annual performance and career development reviews. CSR , Our progress in 2019, pp. 59-60

Disclosure	Description	Response / location
Diversity and inclusion		
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees.	<p>CSR, Employee information, p. 58</p> <p>CGR, 3. Board of Directors, pp. 152-168</p> <p>CGR, 4. Executive Committee, pp. 169-170</p> <p>CGR, 5. Global Executive Board, pp. 171-173</p>
Marketing compliance		
GRI 417: Marketing and Labeling 2016		
417-3	Incidents of non-compliance concerning marketing communications.	During the reporting period, no instances of non-compliance with regulations or voluntary codes concerning marketing activities resulting in fines or non-monetary sanctions from competent authorities were identified.
Data protection and customer privacy		
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	During the reporting period, no substantiated complaints regarding breaches of customer privacy and losses of customer data were identified.
Socioeconomic compliance		
GRI 419: Socioeconomic Compliance 2016		
419-1	Non-compliance with laws and regulations in the social and economic area.	During the reporting period, no instances of non-compliance with laws or regulations in the social and economic area resulting in fines or non-monetary sanctions from competent authorities were identified.
Risk management		
n/a	Approach to risk management.	<p>CSR, Corporate governance & risk management, pp. 50-52</p> <p>CGR, 3.7.1 Group risk governance, pp. 164-166</p> <p>CGR, 3.7.2 Risk management process, pp. 167-168</p>
Responsible investment		
n/a	Approach to responsible investment.	<p>CSR, responsible investment, pp. 18-40</p> <p>Responsible Investment Policy</p>
Compensation and benefits		
n/a	Approach to employee compensation and benefits.	Compensation Report 2019

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