Corporate Sustainability Report

Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS
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A note from the Chairman

"Our mission as an organization is to develop the companies and assets we invest in through entrepreneurial ownership."

When I reflect on the current environment for private markets investors, I see a number of challenges on the horizon. The market we operate in remains incredibly competitive, disruption threatens multiple industries and the geopolitical landscape continues to fuel uncertainty. Throughout 2018, we took this challenging backdrop as an opportunity to assess the future of our industry and ask ourselves, where are we heading as a firm?

The answer is clear to us. Our mission as an organization is to develop the companies and assets we invest in through entrepreneurial ownership. This stems largely from our belief that the ability to create value, enabled by a governance framework that supports entrepreneurialism, is the key driver of the returns we generate for our clients and their 200 million beneficiaries.

Naturally, our firm’s sustainability priorities are informed by this conviction. Our commitment to entrepreneurial ownership comes with the recognition that we are responsible not only for our own operations and our more than 1,200 employees, but also for those of our portfolio companies and their more than 220,000 combined employees. We want to ensure that the businesses and real assets in which we invest respect and endeavor to benefit society and the environment. That is why we have developed robust processes for integrating environmental, social and governance (ESG) factors into our investment cycle, which have earned us A+ ratings from the UN Principles for Responsible Investment for four consecutive years.

In 2018, we took this approach one step further by launching PG LIFE, our impact-at-scale strategy focused on investments that contribute to achieving the UN Sustainable Development Goals, a set of ambitious goals that aim to tackle the world’s most pressing challenges. According to recent estimates, meeting the goals by 2030 will require USD 5-7 trillion in annual investment, including significant contributions from the private sector. In other words, the goals cannot be achieved without leading investment managers like Partners Group carrying across the concepts and values of impact investing to larger, more mainstream assets, and doing so with the governance framework to deliver meaningful impact. As a firm, we are proud to be contributing to this space.

Whether we are engaging with portfolio companies on ESG topics or measuring their impact, entrepreneurial ownership requires extensive resources and value creation capabilities. That is why attracting and retaining the right talent is another sustainability priority for us as a firm. In 2018, one of the topics we put increased emphasis on in this area was gender diversity. We acknowledged in last year’s report that there was an imbalance in the ratio of male to female professionals at senior level and we have since committed to addressing this imbalance in a proactive manner. In this report, you will read about the initiatives we have established to further promote gender diversity at our firm, which range in focus from recruiting, to developing our existing female talent and partnering with Level 20, a leading non-profit organization focused on the improvement of gender diversity in the private equity industry.

Looking ahead, ensuring we maintain our entrepreneurial approach to ownership as our firm continues to grow and navigate the challenging environment will depend greatly on our ability to retain our unique corporate culture. In particular, we need to maintain the long-term thinking, entrepreneurial mindset and cross-team cooperation that have always set our organization apart. The development of our people will therefore be a key focus topic for us in 2019 and beyond, and one you can expect to hear more about in the years to come.

In the meantime, we hope you enjoy reading about our progress in addressing sustainability priorities in 2018.

Steffen Meister
Executive Chairman
Partners Group at a glance

1,203 professionals

19 offices around the world

EUR 73 billion assets under management (AuM)

CHF 1,326 million revenues

CHF 882 million EBITDA

CHF 769 million profit

1) As of and for the period ended 31 December 2018.
2) Revenues from management services, net, including other operating income and share of results of associates.
The charts below show the breakdown of our AuM by asset class, region and investor type as of 31 December 2018.

**AuM by asset class**
- Private equity: 49%
- Private real estate: 17%
- Private debt: 21%
- Private infrastructure: 15%
- EUR 73 billion

**AuM by region**
- Germany & Austria: 17%
- South America: 2%
- Southern Europe: 4%
- Australia: 5%
- South East Asia: 5%
- Switzerland: 16%
- Scandinavia: 4%
- UK: 23%
- France & Benelux: 5%
- EUR 73 billion

**AuM by type**
- Corporate and other pension funds: 30%
- Public pension funds: 22%
- Insurance companies: 11%
- Asset managers, family offices, banks and others: 16%
- SWFs and other endowments: 5%
- Distribution partners/private individuals: 16%
- EUR 73 billion

Partners Group is a global private markets investment manager, serving over 850 institutional investors. We have EUR 73 billion in assets under management and more than 1,200 professionals across 19 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 2018 Annual Report.
Focus topic: gender diversity
Q&A with Board member Michelle Felman and Co-CEO André Frei

Why is Partners Group emphasizing the topic of gender diversity?

Michelle: As a firm, we welcome gender diversity not for diversity’s sake but because it is important to have different perspectives. We believe having a diverse workforce makes us better at what we do by allowing us to source, analyze and develop assets across different geographies and industry sectors from as many different angles as possible. Furthermore, it inherently enhances our ability to understand and engage with a diverse client base.

While gender diversity is not the only type of diversity that is of focus, it is an important one for our industry, where women remain underrepresented, especially in senior investment roles.

“We believe a diverse workforce makes us better at what we do by allowing us to source, analyze and develop assets across different geographies and industry sectors from as many different angles as possible.”

André: In this industry, our people are our most important asset and, in order to be successful, we need to attract and retain the best talent, both male and female. The underrepresentation of women in the industry to this day means that we have been missing out on female talent. That is why we want to address the current gender imbalance in a proactive manner, at all levels of our organization.

What are some of the challenges the industry faces when trying to increase female representation?

Michelle: I have been an investor in this industry for many years, including when there were fewer women than there are today. When it comes to gender diversity, I have found over the years that a big part of the issue is a lack of awareness. If I walked into a meeting, I would notice the fact that there was only one woman and twenty men but most of my male colleagues would not. For many decades, that is simply what the workplace looked like. That is why increasing awareness is such an important first step in increasing representation.

What steps is Partners Group taking to promote gender diversity?

Michelle: We aspire to be a leader in promoting gender diversity and have set ourselves two targets for the next few years. Our first goal is to have ambassadors at 20 top universities globally by 2020 in order to attract the next generation of talented young women interested in thriving in a career in private markets. We have put together a recruiting team charged with visiting these universities and portraying Partners Group as an attractive place to work. Through this initiative, we hope not only to find a great pool of female candidates but also to attract a high caliber of recruits across all gender lines.

Additionally, we have set ourselves the target of substantially increasing the number of our female Partners and Managing Directors to at least 25 by 2025. We believe this is a realistic goal due to our preference for developing homegrown talent.
where possible; it takes time to nurture people once they are in the organization, especially if you are starting at the Financial Analyst and Associate level.

André: It is important to stress that we are not establishing quotas; these are targets. At Partners Group, we do not have or hire against quotas. We want to give our male and female employees the same opportunities, and are convinced the key initiative that will enable us to increase the number of women at senior level is the development of our existing female talent through our mentoring program.

In 2018, we also became a supporter of Level 20, an organization formed to promote and facilitate the increased participation of women in the private equity industry. Going forward, we hope to both benefit from, and contribute to, Level 20’s research, events, educational outreach and mentoring programs, which should further support the achievement of our targets.

"When it comes to gender diversity, a big part of the issue is a lack of awareness. That is why increasing awareness is such an important first step in increasing representation."

Do these initiatives require a change in mindset and company culture?

André: Diversity was already a big topic for us when we first formalized Partners Group’s Charter, which states that "teamwork at all levels turns diversity into strength." Based on our Charter, we have always been committed to offering equal opportunities and pay, to promoting a diversity of perspectives and to ensuring a non-discriminatory environment for all employees at Partners Group. However, we want the promotion of gender diversity to gain more momentum. Today, we want to make real progress.

In order to make progress, all of us have to be aware of and avoid our unconscious biases. For example, I recall how in the very early years of Partners Group, I used to be a risk manager in a small team where everyone was Swiss, male and a mathematician. Until our former CEO Steffen Meister, who is today our Executive Chairman, mandated that our next team hire should not speak Swiss German, it had not occurred to us that we were only hiring people like ourselves. The point is that sometimes you need to make a conscious decision to increase diversity in order to counter the unconscious biases we all have. That is something we have asked our department and unit heads in particular to be cognizant about.

"In order to make progress, all of us have to be aware of and avoid our unconscious biases."

We are proud to report that our commitment to promoting gender diversity is perceived very positively by our colleagues. Employees worldwide have become truly engaged with the topic and approached us with ideas, initiatives, or simply to share their own experiences. We look forward to maintaining this momentum.
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.

<table>
<thead>
<tr>
<th>Material issue</th>
<th>Type</th>
<th>Definition and scope</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Responsible investment:</td>
<td>E S G</td>
<td>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</td>
<td>12</td>
</tr>
<tr>
<td>- ESG integration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Impact investing</td>
<td>E S G</td>
<td>Impact investing / contributing to the UN SDGs / impact assessment methodology</td>
<td>25</td>
</tr>
<tr>
<td>- Philanthropy</td>
<td>E S G</td>
<td>Corporate philanthropy / employee volunteering initiatives</td>
<td>30</td>
</tr>
<tr>
<td>2. Corporate governance &amp; risk management</td>
<td>S G</td>
<td>Governance framework / entrepreneurial governance / operational excellence / systemic risk management / cybersecurity</td>
<td>32</td>
</tr>
<tr>
<td>3. Financial performance</td>
<td>G</td>
<td>Sustainable investment performance / sustainable financial returns / direct economic value generated and distributed</td>
<td>35</td>
</tr>
<tr>
<td>4. Human capital development</td>
<td>S</td>
<td>Attracting and retaining talent / education, training and development / diversity &amp; inclusion / compensation &amp; benefits / promoting Partners Group's culture</td>
<td>38</td>
</tr>
<tr>
<td>5. Business ethics</td>
<td>S G</td>
<td>Compliance with laws and regulations / prevention of market abuse / prevention of conflicts of interest / anti-corruption &amp; anti-bribery / anti-money laundering / marketing compliance / socioeconomic compliance / tax compliance</td>
<td>44</td>
</tr>
<tr>
<td>6. Environment</td>
<td>E</td>
<td>Environmental compliance / greenhouse gas emissions from our operations</td>
<td>46</td>
</tr>
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</table>

E = Environmental  S = Social  G = Governance / economic
Responsible investment
"Globally, 90% of institutional investors now believe that ESG integrated portfolios are likely to perform as well as, or better than, non-ESG integrated portfolios."

2018 was an exciting year for ESG investing. Among investors of all types, in both private and public markets, there was a sense that ESG had “arrived.” Globally, 90% of institutional investors now believe that ESG integrated portfolios are likely to perform as well as, or better than, non-ESG integrated portfolios, and 72% are using ESG to make investment decisions. More than half say they consider ESG integration to be part of their fiduciary duty – double the percentage that said so in 2017.1

Despite the increasing “mainstreaming” of ESG integration, fundamental questions remain for a number of investors, including what role ESG considerations should play in the investment process and how to measure the impact of implementing ESG initiatives. These questions only multiply in complexity when considered alongside topics like impact investing and the UN Sustainable Development Goals.

How does Partners Group situate itself within this shifting landscape? Similar to how we approach a number of other challenges, we return to our defining values as articulated through our Charter. Through our investment platform, we strive to “create lasting positive impact.” From this high-level aspiration, every year we ask ourselves how we can continue to put this into practice.

Looking back on 2018, I am excited to share three areas in particular where we feel we have pushed out the frontier of meaningful and impactful ESG practice.

Firstly, our ESG engagements. In 2018, we executed over 40 ESG engagements with our portfolio companies, each consisting of several individual projects. This resulted in 50 ESG projects completed in 2018 and over 90 projects currently in progress.

We conducted 16 workshops on site at our assets, promoting ESG best practice to a diverse range of assets, from food caterers, to laboratory diagnostic companies, to natural gas pipelines. These engagements would not be possible without our entrepreneurial governance model.

Secondly, our ESG Dashboards. For the first time, we are publishing a portfolio-wide view of our ESG engagements: which topics are most material to a given company, which areas we tried to improve over the prior year, and whether we were successful (or not) in achieving our engagement goals. This is critical, not just to provide greater transparency into our work, but to promote a more systematic approach across the industry.

Finally, our impact-at-scale private markets strategy, PG LIFE. In 2018, we were proud to gain industry recognition from the Global Impact Investing Network, the Impact Management Project, and the International Finance Corporation, for our impact methodology, which we designed to be robust, yet practical. We believe that Partners Group is uniquely positioned to integrate impact sensibilities into the mainstream economy, strengthening companies by enabling them to more convincingly articulate their impacts to their customers, their employees, their partners, and the world at large.

I hope you find the contents below to be filled with the passion we bring to our work. We welcome your engagement as we embark on another ambitious year ahead.

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Adam Heltzer
Head of ESG & Sustainability
**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. All Partners Group products integrate ESG factors into the investment cycle, both from a risk mitigation and a value creation perspective, while our PG LIFE strategy and PG Impact employee foundation focus on impact investing and philanthropy, respectively. The following section outlines our progress in addressing these areas in 2018.

### The spectrum of responsible capital

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

**ESG value creation**

Intention and commitment to create and measure impact
ESG integration

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. 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.

ESG highlights of Partners Group’s direct investment portfolio

<table>
<thead>
<tr>
<th>Impact achieved</th>
<th>Equivalent to</th>
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<tr>
<td>203 million kWh energy consumption</td>
<td>REDUCED 61,000,000 liters of gasoline being consumed</td>
</tr>
<tr>
<td>2.6 million liters fuel</td>
<td>SAVED 1,146 passenger vehicles driven for one year</td>
</tr>
<tr>
<td>879,000 metric tons CO2e CO2 emissions</td>
<td>AVOIDED 436,000 tons of coal being burned</td>
</tr>
<tr>
<td>5,097 tons waste</td>
<td>RECYCLED waste generated by almost 7,000 Swiss residents in a year</td>
</tr>
<tr>
<td>13,608 new jobs</td>
<td>CREATED 7.6% job growth rate</td>
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Note: data from our annual ESG KPI Survey. Once a year, Partners Group surveys its direct lead and joint-lead investments on key aspects of their ESG performance. We use the data from this review to understand the collective impact of our portfolio on society and the environment, assess the overall ESG maturity of each investment and identify priority areas for engagement.
Our progress in 2018

Staying ahead of industry best practice
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. In 2018, we were proud to achieve another strong scorecard in the UN PRI’s annual assessment. We were awarded the highest possible A+ score for our responsible investment strategy and governance for a fourth consecutive year; an A+ score for direct private equity; and A scores for direct private infrastructure, private debt, and private equity and real estate primaries.

Further strengthening ESG integration throughout the investment process
Responsible investment leadership requires constant innovation. In 2018, we continued to strengthen ESG integration throughout our investment lifecycle, further improving our key ESG engagement points during investment sourcing, due diligence and ownership.

- **Sourcing: maintaining our highly selective approach**
  We pursue a highly disciplined investment approach to ensure that only the most attractive assets are selected for investment globally. Our Responsible Investment Screening Framework is an integral part of this approach, providing investment professionals with a clear basis for assessing the potential ethical or reputational risk of an investment. In 2018, we screened 2,894 direct transactions across asset classes and invested in only 78 of these. This resulted in a 97% decline rate.

Our ESG & Sustainability team has also developed quantitative frameworks to assist our investment committees in understanding the key drivers of ESG risk in industries that are particularly ESG-sensitive. These frameworks are applied to our investment screening process for industries exposed to the natural resources or defense sectors, for instance. For each ESG-sensitive industry, the team has identified the five key ESG risk factors. These include an asset’s main source of revenue, the type of product or service it offers and the geographies it serves. Each of these considerations is then assigned a low, medium or high risk. This approach has provided a consistent framework with which to consider opportunities throughout the year.

For instance, in 2018, our Infrastructure Specialist Investment Committee declined an opportunity to invest in a port mainly used to transport thermal coal. In line with our framework, the committee noted that the asset did not plan to significantly shift its business model away from supporting the coal industry. As we would not have been in the lead on the investment, we would have lacked the governance rights to trigger a change in the port’s strategy. We therefore declined the investment based on our commitment to supporting the Paris Agreement. While reviewing another port opportunity in a coal-dependent country, the use of the framework allowed our investment team to better understand the target asset’s revenue streams and only start conducting due diligence once they had confirmed that none of the port’s terminals had exposure to coal.

- **Due diligence: revamping our ESG Assessment**
  Once we have decided to conduct due diligence on a potential investment opportunity following the initial screening, we perform an ESG Due Diligence Assessment. Our proprietary ESG Assessment distills the wide range of potential ESG topics into those most likely to be material for a given industry and geography based on the Sustainability Accounting Standards Board (SASB) industry standards. Investment teams are responsible for evaluating risks from these factors, both for the investment and our firm, and for identifying opportunities to add value through improved ESG management. In 2018, we revamped the ESG Assessment in order to give investment teams more autonomy to add material ESG topics to the standard industry-based analysis. We also added factors that we consider common to all industries today and that have become must-have due diligence items for all our assets, such as sanctions compliance or human resources practices.

An important element of our Assessment is engaging with companies that are underperforming in their ESG standards and practices during due diligence to identify opportunities for improvement. While reviewing a sanitation services company in 2018, we identified poor health & safety practices, evidenced

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

<table>
<thead>
<tr>
<th>Sourcing</th>
<th>Due diligence</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>• ESG investment themes proposed based on identified ESG trends</td>
<td>• ESG Assessment completed to identify and mitigate material ESG risks</td>
<td>• On-board management to PG’s responsible investment approach</td>
</tr>
<tr>
<td>• Negative screening of illegal and harmful products/services</td>
<td>• Pre-position ESG projects to ensure upfront alignment and buy-in from management</td>
<td>• Implement priority ESG projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Monitor ESG performance through annual ESG KPI &amp; project reporting process</td>
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</table>
by their average of ten serious workplace injuries per year. We consider the wellbeing of our portfolio company employees to be one of our main obligations as responsible owners and were willing to engage extensively with the company in order to improve its practices and eliminate these injuries during our ownership. Although we did not go ahead with the investment for commercial reasons, we had included a remediation plan in our investment underwriting assumptions and made it clear to company management that hands-on engagement on this topic would have been a must had we acquired the business.

- Ownership: expanding our portfolio of ESG engagements
As active owners, we commit to establishing ESG engagements with every one of our lead direct investments, setting clear expectations with newly acquired assets through our ESG onboarding process. In 2018, we executed 35 engagements across our lead direct private equity and infrastructure investments and onboarded eight new assets in our portfolio.

**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.

### ESG engagement focus areas for select private equity investments in 2018

<table>
<thead>
<tr>
<th>Asset</th>
<th>Description</th>
<th>ESG focus</th>
</tr>
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</table>
| AMMEGA           | Industrial belts manufacturer with a global footprint | • We will conduct a detailed review of the company’s health & safety performance in order to further improve health & safety in all 26 of its manufacturing sites.  
• In view of making AMMEGA's product line more sustainable, we are currently testing more sustainable product prototypes to assess whether these achieve the same performance as traditional products. |
| Hearthside Food Solutions | Large consumer packaged goods manufacturer in North America | • A centralized health & safety program, including KPIs, will be set up as part of our portfolio-wide health & safety efforts.  
• We plan to implement an energy management system to reduce energy consumption, building on similar initiatives we have implemented within other energy-intensive assets in our portfolio. |
| Vishal Mega Mart  | Leading value retail franchisor in India              | • Building on due diligence findings, we will review and create appropriate health & safety policies.  
• We will strengthen the company’s efforts to increase the visibility and sustainability of its supply chain. |

**Our ESG integration by asset class in 2018**
While our Responsible Investment Policy and Methodology gives us overarching guidelines, we also think about ESG from an asset class and sector perspective. The following section provides an overview of our progress in integrating ESG factors by asset class in the reporting year.

**Private equity**
Our private equity investments give us exposure to a broad range of industries and geographies, which we can positively influence and enhance through our entrepreneurial approach to governance and deep understanding of ESG factors. In addition to our standard ESG Due Diligence Assessment, for all lead direct investments, we engage with dedicated ESG due diligence consultants to identify potential ESG risks and map out priority ESG value creation projects. Our ESG & Sustainability team supports our investment teams and external consultants during the due diligence process, ensuring our ESG due diligence reports present actionable solutions. Once we have acquired a company, our ESG & Sustainability team formally establishes our planned ESG engagements. The table below summarizes the focus of these engagements for a selection of our 2018 investments.

**Our private equity ESG Dashboard**
As our global platform continues to grow, it is essential to have a scalable and replicable process for ESG integration and measurement. In 2018, we established an ESG Dashboard to further increase the transparency of ESG reporting across our portfolio. Based on the SASB industry standards, our multi-year experience of implementing ESG projects, and our
one-on-one conversations with the assets, the ESG Dashboard shows the most common material ESG metrics identified across our portfolio and allows us to have a portfolio-wide view of ESG performance, including the relative importance of each metric to each portfolio company. For some of these metrics, we have defined KPIs that enable us to track our progress. For the metrics that are harder to quantify, for example the effectiveness of ESG-relevant policies, we have developed maturity assessments. We evaluate the same five dimensions for each metric (Policy, Authorization, Responsible, Implementation, and Reporting), assigning each dimension a score from 1 (e.g. no policy available) to 4 (e.g. has policy, ongoing initiatives and system is continuously improved). In addition, we have marked the areas we focused on during 2018, and indicated whether progress was made (or not). If companies were unable to report a given metric in 2018 but took steps towards being able to track and report it in 2019, this was considered as progress.

Example maturity assessment for anti-bribery and anti-corruption (ABAC)

<table>
<thead>
<tr>
<th>Elements</th>
<th>Key question</th>
<th>Maturity level - Poor (1)</th>
<th>Maturity level - Basic (2)</th>
<th>Maturity level - Good (3)</th>
<th>Maturity level - Best practice (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>How institutionalized is the policy?</td>
<td>No policy in place</td>
<td>Basic policy in place</td>
<td>Well-defined policy in place</td>
<td>Comprehensive policy articulating strategy and objectives in place</td>
</tr>
<tr>
<td></td>
<td>How well is the policy communicated?</td>
<td>r/a</td>
<td>Employees know there is a policy, but are not familiar with content or implications to their position</td>
<td>Employees are familiar with the policy but do not understand how to comply with it</td>
<td>Employees fully comprehend the policy and are trained on how to comply with it</td>
</tr>
<tr>
<td></td>
<td>Is the policy applicable to all sites?</td>
<td>r/a</td>
<td>Only applicable to some of the sites</td>
<td>Applicable to most sites</td>
<td>Principles are set on a firm-wide level and implemented for all sites</td>
</tr>
<tr>
<td>Authorization</td>
<td>Who approved the policy?</td>
<td>Local/department head of ABAC</td>
<td>Local site head</td>
<td>COO/CEO</td>
<td>The board</td>
</tr>
<tr>
<td></td>
<td>Who is accountable for its implementation?</td>
<td>Only employees involved in high risk operations and their supervisors</td>
<td>Employees in high risk operations and their supervisors</td>
<td>All employees</td>
<td>Everyone from the board to the lowest rank</td>
</tr>
<tr>
<td>Responsible</td>
<td>Who is responsible for the implementation of the policy and its related initiatives?</td>
<td>No one responsible for implementation</td>
<td>Responsibility lies with local/department managers</td>
<td>COO/CEO and cascades to the organization</td>
<td>The board</td>
</tr>
<tr>
<td>Implementation</td>
<td>How comprehensive is the implementation of the ABAC program?</td>
<td>Incidents are not tracked or monitored</td>
<td>Incidents monitored but no defined process in place to investigate</td>
<td>Incidents are investigated but no formal communication or feedback process is in place</td>
<td>• Incidents are investigated and learnings are shared throughout the firm • There is a comprehensive incident response mechanism in place</td>
</tr>
<tr>
<td>Reporting</td>
<td>Does the asset report its ABAC performance?</td>
<td>There is no reporting ABAC performance to the board</td>
<td>Reporting to the board not standardized nor regular</td>
<td>Incidents and action items are reported to the board</td>
<td>Incidents, action items, and learnings are reported to the board</td>
</tr>
</tbody>
</table>
## Environmental

<table>
<thead>
<tr>
<th>Company</th>
<th>Vertical</th>
<th>Company policy maturity</th>
<th>Environmental incidents</th>
<th>Environmental management</th>
<th>Energy management</th>
<th>Waste management</th>
<th>Ethical supply chains</th>
<th>Employee retention</th>
<th>Health &amp; safety</th>
<th>Gender equality advancement</th>
<th>Corporate governance</th>
<th>Corporate maturity</th>
<th>No. of Operating Directors</th>
<th>Anti-bribery/anti-corruption policy maturity</th>
<th>Cybersecurity policy maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>Consumer</td>
<td>1.0</td>
<td>0</td>
<td>144,556</td>
<td>▶</td>
<td>-</td>
<td>20</td>
<td>133%</td>
<td>▼</td>
<td>2.1</td>
<td>32%</td>
<td>3.4</td>
<td>2</td>
<td>1.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Company B</td>
<td>Consumer</td>
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<td>0</td>
<td>91,888</td>
<td>13%</td>
<td>▲</td>
<td>10</td>
<td>28%</td>
<td>▲</td>
<td>0.1</td>
<td>22%</td>
<td>3.0</td>
<td>▲</td>
<td>3.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Company C</td>
<td>Consumer</td>
<td>1.2</td>
<td>0</td>
<td>-</td>
<td>▲</td>
<td>▲</td>
<td>1.7</td>
<td>112%</td>
<td>▲</td>
<td>0.3</td>
<td>0%</td>
<td>2.8</td>
<td>0</td>
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<td>2.6</td>
</tr>
<tr>
<td>Company D</td>
<td>Consumer</td>
<td>1.6</td>
<td>0</td>
<td>-</td>
<td>▲</td>
<td>▲</td>
<td>2.6</td>
<td>26%</td>
<td>▲</td>
<td>-</td>
<td>20%</td>
<td>2.7</td>
<td>1</td>
<td>3.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Company E</td>
<td>Consumer</td>
<td>1.0</td>
<td>0</td>
<td>17,515</td>
<td>36%</td>
<td>▲</td>
<td>1.0</td>
<td>20%</td>
<td>▲</td>
<td>1.8</td>
<td>17%</td>
<td>3.0</td>
<td>3</td>
<td>1.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Company F</td>
<td>Business &amp; financial services</td>
<td>2.2</td>
<td>▲</td>
<td>22,986</td>
<td>28%</td>
<td>▲</td>
<td>10</td>
<td>29%</td>
<td>▲</td>
<td>3.4</td>
<td>50%</td>
<td>2.8</td>
<td>3</td>
<td>▲</td>
<td>2.0</td>
</tr>
<tr>
<td>Company G</td>
<td>Business &amp; financial services</td>
<td>2.4</td>
<td>0</td>
<td>4,366</td>
<td>70%</td>
<td>▲</td>
<td>32</td>
<td>19%</td>
<td>▲</td>
<td>1.6</td>
<td>0%</td>
<td>2.8</td>
<td>3</td>
<td>▲</td>
<td>3.4</td>
</tr>
<tr>
<td>Company H</td>
<td>Business &amp; financial services</td>
<td>1.0</td>
<td>0</td>
<td>-</td>
<td>▲</td>
<td>▲</td>
<td>10</td>
<td>17%</td>
<td>▲</td>
<td>0%</td>
<td>0%</td>
<td>2.7</td>
<td>3</td>
<td>▲</td>
<td>3.6</td>
</tr>
<tr>
<td>Company I</td>
<td>Business &amp; financial services</td>
<td>1.8</td>
<td>0</td>
<td>76,356</td>
<td>2%</td>
<td>▲</td>
<td>26</td>
<td>51%</td>
<td>▲</td>
<td>1.7</td>
<td>40%</td>
<td>3.3</td>
<td>2</td>
<td>▲</td>
<td>2.4</td>
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<tr>
<td>Company J</td>
<td>Healthcare</td>
<td>1.0</td>
<td>▲</td>
<td>-</td>
<td>▲</td>
<td>▲</td>
<td>-</td>
<td>10%</td>
<td>▲</td>
<td>35%</td>
<td>27%</td>
<td>2</td>
<td>▲</td>
<td>1.0</td>
<td>▲</td>
</tr>
<tr>
<td>Company K</td>
<td>Healthcare</td>
<td>2.0</td>
<td>▲</td>
<td>114,391</td>
<td>▲</td>
<td>▲</td>
<td>14</td>
<td>18%</td>
<td>▲</td>
<td>0.1</td>
<td>17%</td>
<td>3.1</td>
<td>3</td>
<td>▲</td>
<td>3.6</td>
</tr>
<tr>
<td>Company L</td>
<td>Healthcare</td>
<td>2.2</td>
<td>0</td>
<td>93,129</td>
<td>70%</td>
<td>▲</td>
<td>1.0</td>
<td>33%</td>
<td>▲</td>
<td>-</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Company M</td>
<td>Healthcare</td>
<td>1.0</td>
<td>0</td>
<td>8,039</td>
<td>▲</td>
<td>▲</td>
<td>2.6</td>
<td>13%</td>
<td>▲</td>
<td>0.8</td>
<td>3%</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
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<tr>
<td>Company N</td>
<td>Industrials</td>
<td>1.0</td>
<td>▲</td>
<td>-</td>
<td>▲</td>
<td>▲</td>
<td>-</td>
<td>▲</td>
<td>▲</td>
<td>-</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Company O</td>
<td>Industrials</td>
<td>1.0</td>
<td>▲</td>
<td>-</td>
<td>▲</td>
<td>▲</td>
<td>-</td>
<td>▲</td>
<td>▲</td>
<td>14%</td>
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<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
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<tr>
<td>Company P</td>
<td>Industrials</td>
<td>2.4</td>
<td>0</td>
<td>317,822</td>
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<td>▲</td>
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<td>▲</td>
<td>▲</td>
<td>0.7</td>
<td>50%</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Company Q</td>
<td>Industrials</td>
<td>2.4</td>
<td>0</td>
<td>-</td>
<td>▲</td>
<td>▲</td>
<td>-</td>
<td>5%</td>
<td>▲</td>
<td>58%</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Company R</td>
<td>Tech, media and IT</td>
<td>4.0</td>
<td>0</td>
<td>6,664</td>
<td>-</td>
<td>▲</td>
<td>3.6</td>
<td>13%</td>
<td>▲</td>
<td>-</td>
<td>1.2</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Company S</td>
<td>Tech, media and IT</td>
<td>1.0</td>
<td>0</td>
<td>57,027</td>
<td>▲</td>
<td>▲</td>
<td>-</td>
<td>2.8</td>
<td>▲</td>
<td>42%</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Company T</td>
<td>Tech, media and IT</td>
<td>1.0</td>
<td>0</td>
<td>-</td>
<td>▲</td>
<td>▲</td>
<td>-</td>
<td>1.4</td>
<td>▲</td>
<td>15%</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Company U</td>
<td>Tech, media and IT</td>
<td>2.9</td>
<td>0</td>
<td>87,346</td>
<td>▲</td>
<td>▲</td>
<td>-</td>
<td>2.8</td>
<td>▲</td>
<td>27%</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Company V</td>
<td>Tech, media and IT</td>
<td>1.2</td>
<td>0</td>
<td>17,974</td>
<td>51%</td>
<td>▲</td>
<td>3.2</td>
<td>21%</td>
<td>▲</td>
<td>0.1</td>
<td>23%</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
</tbody>
</table>

### Legend

- **Materiality**
  - **high**
  - **medium**
  - **low**

- **2018 priority ESG topic**
  - Improvement in performance; target KPI achieved
  - No change in performance; target KPI not achieved
  - Deterioration in performance; target KPI not achieved

- **2018 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 companies were unable to report a given metric in 2018 (indicated in the table with a dash “-”) but took steps towards being able to track and report it in 2019, this was considered as an improvement in performance.

*Lost-time incident rate: the number of workplace incidents that kept employees from coming to work for at least a day.*
Key Group is a leading financial services provider for those both in and approaching retirement. The group’s main activities are equity release, estate planning and retirement planning. Today, it employs close to 530 people throughout the UK, representing a 37% increase in headcount since our investment in mid-2017.

During our ESG due diligence, we found the company had an annual employee turnover rate of 37%, a Glassdoor2 score of 1.5 out of 5.0 and an employee engagement score of 65%. In order to support the company’s growth, having a solid employee base was key and, for this reason, during the onboarding workshops we held with management, we established “Making Key Group a Great Place to Work” as a core strategic pillar of our value creation plan.

As part of this pillar, we supported Key Group’s HR team and its leadership team to implement a series of projects, ranging from changing the communication style in order to further increase colleague engagement to defining and rolling out the mission, vision and values of the company through a series of online modules and workshops. The company also launched academies, apprenticeships and a coaching program to support the development of its employees; established a new performance management framework; acknowledged employees’ contributions through the launch of a service recognition scheme; enhanced benefit arrangements; and launched a new corporate volunteering program with local and national charities.

After one and a half years, the company has decreased turnover to 20%, raised its Glassdoor score to 4.2, increased its employee engagement score to 76% and even made it on to the “Ones to Watch” list in The Sunday Times Best Companies to Work For 2019, a national employer benchmark.

This year, Key Group is looking at new ways to support the business while embedding its new mission, vision and values into its corporate policies. In addition, it will look at ways of using technology to improve its HR processes, such as adding e-learning tools, investing in a recruitment campaign management system and making the most of its existing online HR platform. It will launch a wellbeing framework to support its employees’ physical, mental and financial wellbeing and conduct a benchmarking project by building a job grading system to help guide career progression and align employee benefits, promoting greater transparency across the group.

2 Glassdoor is one of the world’s largest job and recruiting sites. It offers its users job listings as well as anonymous reviews of companies and their management from current and former employees.
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. Nonetheless, we are always looking to identify additional ESG topics and initiatives that will further enhance our infrastructure investments' ESG performance. Just as we do for our private equity investments, 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 below summarizes the focus of these engagements for a selection of our 2018 investments.

Strengthening our Primary ESG Assessment

For our primary investments, we undertake a “Primary ESG Assessment” based on the UN PRI’s Limited Partners’ Responsible Investment Due Diligence Questionnaire to assess the strength of a manager’s approach to ESG integration. In 2018, we sent a follow-up questionnaire to our external infrastructure managers to ensure that the approach described in our initial assessment was still being implemented. We also held calls with a selection of these managers to share best practice principles on ESG integration in our direct portfolio. For instance, while we shared our experience in conducting ESG due diligence, another manager shared insights on its approach to health & safety, which informed the health & safety assessments we are currently conducting across both our private infrastructure and private equity portfolios.

Our private infrastructure ESG Dashboard

In addition to our private equity ESG Dashboard, we also established an ESG Dashboard for private infrastructure in 2018. The dashboard defines the most relevant ESG metrics for our infrastructure assets and provides us with a portfolio-wide view of ESG performance as well as potential areas for improvement.

As for private equity, for some of these ESG metrics, we have defined KPIs that enable us to track our progress. For the ESG metrics that are harder to quantify, for example the effectiveness of ESG-relevant policies, we have developed maturity assessments (see page 15). We have marked the areas we focused on during 2018, and indicated whether progress was made (or not). If companies were unable to report a given metric in 2018 but took steps towards being able to track and report it in 2019, this was considered as progress.

Identifying these metrics and discussing them with our portfolio assets has been an extensive process, involving examining the materiality of each metric with each individual asset. While we used the SASB industry standards as a basis for assessing materiality, our discussions shaped the final assessment and led to interesting discoveries. For instance, most of our infrastructure assets ask their contractors to handle the waste they generate and, consequently, do not track the waste they divert. In 2019, we plan to work with our portfolio assets to improve their oversight of waste management and implement projects to divert waste as appropriate.

ESG engagement focus areas for select private infrastructure investments in 2018

<table>
<thead>
<tr>
<th>Asset</th>
<th>Description</th>
<th>ESG focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superior Pipeline Company</td>
<td>US midstream energy infrastructure company</td>
<td>• We will work with the company to increase its focus on leading indicator reporting in order to further strengthen its accident prevention and safety culture.</td>
</tr>
<tr>
<td>Borssele III/IV</td>
<td>Dutch offshore wind farm project</td>
<td>• We held a health &amp; safety workshop in 2018 with all investors and senior leaders of the major contract partners to align on the company’s health &amp; safety approach and plan; we have established channels to monitor and report on performance during the construction phase.</td>
</tr>
</tbody>
</table>
| Grassroots Renewable Energy Platform | Large-scale Australian renewable energy platform | • We will complete a health & safety maturity assessment in Q1 2019, in line with our portfolio-wide health & safety efforts. This will enable the newly created platform to have a best-in-class approach to health & safety for all its underlying assets.  
• A community investment period will commence in 2019 for Sapphire Wind Farm, one of the assets under the Grassroots platform and the first renewable project of its kind to establish a community investing program in Australia. |
### Environmental Social Governance

#### Environmental
- Water management
- Regulatory compliance
- Waste management
- Water consumption (m3)
- No. of environmental incidents

#### Social
- Healthcare
- Safety
- Contractor management
- Contractor maturity
- No. of labor non-compliance incidents

#### Governance
- Corporate governance
- Active ownership
- Board assessment
- No. of operating Directors
- Board evaluation

#### Performance Indicators

<table>
<thead>
<tr>
<th>Asset</th>
<th>Midstream energy infrastructure</th>
<th>Renewable energy</th>
<th>Private infrastructure</th>
<th>Transportation</th>
<th>Power generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset A</td>
<td>2.8</td>
<td>1.6</td>
<td>1.0</td>
<td>Asset D</td>
<td>1.0</td>
</tr>
<tr>
<td>Asset B</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Asset E</td>
<td>1.0</td>
</tr>
<tr>
<td>Asset C</td>
<td>3.6</td>
<td>1.0</td>
<td>1.0</td>
<td>Asset F</td>
<td>2.8</td>
</tr>
<tr>
<td>Asset D</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Asset G</td>
<td>1.0</td>
</tr>
<tr>
<td>Asset E</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Asset H</td>
<td>3.6</td>
</tr>
<tr>
<td>Asset F</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Asset I</td>
<td>3.6</td>
</tr>
<tr>
<td>Asset G</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Asset J</td>
<td>1.0</td>
</tr>
<tr>
<td>Asset H</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Asset K</td>
<td>2.6</td>
</tr>
<tr>
<td>Asset I</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Asset L</td>
<td>2.8</td>
</tr>
<tr>
<td>Asset J</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Asset M</td>
<td>2.2</td>
</tr>
</tbody>
</table>

#### Materiality
- 2018 priority ESG topic
- 2019 ESG engagement performance

#### Legend
- Improvement in performance: target KPI achieved
- No change in performance: target KPI not achieved
- Deterioration in performance: target KPI not achieved

Note: If a company was unable to report a given metric in 2018 (indicated in the table with a dash “-”) but took steps toward being able to track and report it in 2019, this was considered as an improvement in performance.
Billy Bishop Toronto City Airport (BBTCA) is one of Canada’s busiest airport, welcoming 2.8 million business and leisure travelers each year. It is an important international gateway and a key driver of Toronto’s economy, accounting for more than USD 2 billion in economic output each year and supporting 6,500 jobs, including 1,960 directly associated with the airport operations. We acquired the passenger terminal at BBTCA in early 2015 together with our partners in the Nieuport Aviation (Nieuport) consortium, which today operates the terminal.

Over the last four years, Nieuport has added significant value to the terminal, including helping to secure key approvals to facilitate building a US border pre-clearance facility, as well as completing a major upgrade of the terminal that added more spacious passenger lounges, new food, beverage and retail concessions, and an additional gate.

In addition to these initiatives, cybersecurity was also an area of focus for Nieuport during our ownership. Cybersecurity is an area of increasing importance for all our assets given the potential impact of cyber attacks on operations, and the risk of corporate espionage and service disruption.

In 2017, Nieuport commissioned a security program review against industry best practices and guidelines defined by the International Organization for Standardization (ISO) and the National Institute of Standards and Technology. The assessment was intended to evaluate and measure the maturity, effectiveness, and overall compliance readiness of Nieuport’s security risk management program, including cybersecurity risk.

The review revealed a series of worthwhile enhancements in Nieuport’s network. While the risk of cyber attacks is impossible to reduce to zero, there are many ways to mitigate it and reduce the potential impact of such attacks. In 2018, Nieuport implemented several measures in this respect, including the separation of its guest and corporate wireless networks. Restraining these from communicating with each other reduces the risk of a passenger or tenant breaching the corporate network and interfering with IT services.

Another key recommendation was to adopt policies and standards that would govern how cyber environments should be protected and controlled. In March 2018, Nieuport approved its first Information Security Policy, documenting key roles and responsibilities within the organization to ensure that accountability is assigned to appropriate individuals and authorities and that employee training needs are met.

In early 2019, with the conclusion of these and other value creation initiatives, including the terminal upgrade project, we felt the time was right to divest our stake in the asset. Nieuport now plans to continue its journey toward a more mature approach to cybersecurity by providing ongoing training to staff regarding the nature of cyber threats and implementing a response plan to address potential cybersecurity events.

Peter Clermont, CFO of Nieuport Aviation

“Nieuport Aviation was established as a special purpose entity to acquire the passenger terminal business at BBTCA. Creating a new entity for the acquisition made it critical as a new terminal owner that systems were established correctly from inception. Without being encumbered by legacy IT systems, we were able to go back to first principles to consider what cybersecurity protections would provide the necessary robustness for our IT environment.”
Private real estate

Our real estate investments include both new developments and improvements to the management of existing, underperforming buildings. The resource intensity of these properties translates into a wide range of material ESG topics that can be approached in a systematic manner, with many of these topics relating to energy and water management. In order to address these topics across our portfolio, we launched a pilot Utility Cost Reduction Program in the US in 2017. The program involved centralizing energy and water utility bill management to enable benchmarking. It also involved energy and water audits to identify building improvements that would both reduce the environmental impact and improve the financial profile of an asset. In 2018, we continued to develop the pilot program.

One of the assets included in the US pilot, Riata Corporate Park in Austin, Texas, completed the installation of EvaporCool cooling units in 2018. These units increase heating, ventilation and air conditioning (HVAC) efficiency, and are expected to decrease electric utility costs by USD 119,000 and CO2 emissions by almost 271 tons per year. In addition, the units reduce the strain on AC systems, increasing the lifetime of AC units and reducing regular maintenance costs. The improvement project was identified during the energy audits conducted as part of the pilot. In 2019, we hope to identify further opportunities for improvement as the program is rolled out across our portfolio.

Strengthening ESG integration for real estate secondary investments

In addition to strengthening ESG integration across our direct real estate portfolio, in 2018, we further developed our approach to understanding ESG risks and opportunities for real estate secondary investments. In recent years, our investment strategy has shifted away from "traditional" real estate secondaries, i.e. buying interests in primary real estate funds, towards "non-traditional" real estate secondaries, e.g. providing recapitalizations to mature funds in need of liquidity. We have therefore readjusted our approach to consider the nuances of both strategies. For traditional secondaries, we evaluate managers just as we do for our primary investment. For non-traditional secondaries, we evaluate assets and operators just as we do for our direct investments. This adjustment has enabled us to better identify ESG risks and opportunities, taking into consideration the level of influence we have on an asset.
Private debt

Our private debt team provides debt capital across the whole debt structure, ranging from senior loans to subordinated loans, primarily to private equity-sponsored buyouts across a broad range of industries. Due to the relatively lower levels of influence and governance rights afforded to debt providers, we focus our ESG integration for this asset class on negative screening during sourcing, an evaluation of material ESG factors during due diligence, and ongoing monitoring during the holding period.

We apply our Responsible Investment Screening Framework to all debt investment opportunities. Based on the framework, we exclude certain industries and practices that we believe have a clear, negative impact on society or the environment. During the reporting year, we rejected opportunities to invest in an outsourced military surveillance company, and a battery manufacturer that catered exclusively to the defense industry, since we could not get enough insights into their business practices.

Outlook

In 2019, we plan to further build out our portfolio of ESG engagements as we onboard new assets to our platform and refresh ESG initiatives at existing portfolio assets. In addition to these bespoke engagements with individual companies and assets, we plan to conduct a number of “portfolio sweeps” throughout the year, identifying our most successful ESG projects in areas that are material to most businesses, such as health & safety, cybersecurity and anti-fraud, and applying them systematically across our lead direct portfolio. We currently have two portfolio sweeps ongoing and are developing more to be launched in 2019. Finally, improving the maturity scores of the portfolio companies and assets within our newly introduced ESG Dashboards will be a focus topic throughout the year.

UN PRI collaboration

In 2018, we contributed to a new report by the UN PRI on responsible investment in private debt: “Spotlight on Responsible Investment in Private Debt.” To-date, little has been written about how investors can invest responsibly in private debt, considering ESG factors in their investment decisions. Through this work, the UN PRI aims to fill an industry knowledge gap by providing guidance and examples discussed with practitioners across various private debt strategies.

Find the full report on the UN PRI website: www.unpri.org
Focus topic: ESG governance

Q&A with René Biner, Chairman of the Global Investment Committee

What weight does the Global Investment Committee (Global IC) give to ESG considerations in investment discussions?

The Global IC looks at ESG issues from three different angles. Firstly, a company or asset’s underperformance on ESG factors can kill an investment opportunity. In reality, though, we rarely need to decline investments for ESG reasons as opportunities with serious ESG issues are typically excluded outright by our investment teams in the early stages of due diligence.

Secondly, we are conscious that every investment opportunity is likely to have potential for improvement on ESG factors. In fact, the Global IC assesses a company or asset’s ESG practices not only in terms of their potential risk, but also in terms of their value creation potential. Once we have invested in an asset, where we will typically control the board of directors, defining a concrete plan for ESG engagement is a key work stream in our entrepreneurial governance onboarding plan. This is the program detailing the main value creation initiatives we wish to undertake during ownership. We have found, with ESG topics in particular, that these plans often have to be adjusted to the changing landscape over time. For example, cybersecurity and client data protection today are much bigger governance topics than they were five years ago.

Thirdly, we look at ESG as simply the right thing to do. In our Global IC decision room, we have a sign that reads, “We are responsible for dreams.” This reminds us that our investment decisions have an impact not only on the lives of our clients’ 200 million beneficiaries, but also on the stakeholders of our portfolio companies and their more than 220,000 employees. As responsible owners, we need to make sure the companies and assets in which we invest conduct business responsibly, respecting the society and environment they operate in and providing a healthy and safe environment for their employees.

You discuss hundreds of investment opportunities every year in the Global IC. How do you ensure investment teams follow Partners Group’s ESG procedures for each opportunity?

As a firm, we are well past the stage of having to convince our professionals that focusing on ESG factors is the right thing to do. For many years, we have strived to be a leader in the integration of ESG factors into the investment cycle and, in 2008, were one of the first private markets investment managers to sign the UN Principles for Responsible Investment. In the Global IC, we do not rely on one person to wear the ESG hat; it is on top of everybody’s mind. We expect the same from our investment teams, who are required to prepare an ESG due diligence for each investment opportunity.

“We do not rely on one person to wear the ESG hat; it is on top of everybody’s mind.”

We have a very systematic process in place, which allows investment teams to scrutinize assets from an ESG perspective right from the outset. Our ESG Due Diligence Assessment distills the wide range of potential ESG topics into those most likely to be material for a given industry and geography. This enables investment teams to focus their time and energy on the most important ESG topics for each opportunity. The assessment, which is an important part of our extensive Investment Recommendation papers, also allows the Global IC to receive consistent information on ESG considerations for potential investments in a very standardized format.
It is important to note, however, that no matter how thorough the assessment, ESG issues are rarely black and white. Often, our investment teams will highlight key ESG considerations for further discussion in the Global IC. In these instances, it is important to have different perspectives and to take the time to discuss each potential ESG risk and opportunity in order to form a consensus as a group on the required course of action.

**Is there a particular ESG discussion that stuck in your mind in 2018? Why?**

In 2018, we invested in Techem, a German-based global market leader in the provision of heat and water cost allocation services. During our Global IC discussions, it became clear that energy efficiency was at the heart of the company’s offering. By enabling heating and energy consumption to be managed in a more precise and sustainable manner, Techem’s solutions today account for approximately 6.9 million metric tons of CO₂ emission savings per year, thus contributing to global climate protection objectives. As a group, we decided that growing Techem’s positive impact on the environment had to be a key component of our business plan. Through our investment, not only of capital but also of our human resources, we can make a significant contribution to making Techem even more impactful.

This example brings us to the topic of entrepreneurial private markets governance. The governance framework in private markets and the proximity of private markets-backed boards to investee businesses means that private markets investors have the power to take the lead on ESG topics within a portfolio company or asset. At Partners Group, we leverage this entrepreneurial governance model in order to create sustainable value in our investments throughout our ownership. That is why ESG issues are a standing topic for board meetings in our direct investment portfolio.

This hands-on approach can also be a key element of winning the hearts and minds of management teams, providing us with a competitive advantage. Typically, every management team will have one or two ESG issues they would like to solve or improve and we have the right resources to help them.

**How does the Global IC measure the impact of ESG management on value creation?**

We require our investment teams and portfolio company boards to have a clear ESG value creation agenda. Some of the initiatives on this agenda may be easy to measure. The number of new jobs created is one example; increased energy efficiency is another. Throughout 2018, we created over 13,600 net new jobs and saved more than 203 million kWh in energy consumption across our portfolio.

However, when it comes to ESG factors, value creation is not always about the numbers. In infrastructure, for instance, community engagement is a must-have: the under- or mishandling of community relations is one of the most common causes for project delays in the construction of renewable energy projects globally. Making sure communities feel suitably engaged with the greenfield projects in which we invest can be critical to finishing them on time and meeting the assumptions made at underwriting, thus generating the returns our clients expect from us. Similarly, in real estate, engagement with a property’s tenants, suppliers and contractors is key to being able to effectively manage a structure and carry out value-added initiatives to attract new tenants. For some of the businesses we own, improving training and development opportunities for employees is one of our areas of focus. Although this type of initiative is hard to quantify in terms of impact, it will typically enable a company to reduce staff turnover and increase employee engagement, which will ultimately improve the quality of its services.

**You have been with Partners Group for 20 years and today chair the firm’s Global Investment Committee. How have you seen ESG integration evolve over the course of your career?**

What started with a responsible investment policy, and company-specific ESG projects in some of our portfolio companies, has grown into a well-structured process integrated into our value creation work with all portfolio companies. In fact, it is no coincidence that our ESG & Sustainability team is embedded within our Industry Value Creation and Asset Management teams. As these teams work hands-on with our portfolio companies and assets and are directly responsible for operational improvements, they offer the most effective means for ensuring ESG topics are addressed throughout the investment process.

Today, we are also starting to have thematic focus areas across our entire portfolio. We are tackling topics that affect all companies, such as energy savings and health & safety, on a portfolio-wide scale, with the ambition to have an even more systematic and platform-based approach to ESG value creation. In addition, thanks to our entrepreneurial governance model, we can make sure that all ESG issues and projects are monitored and discussed on a regular basis in all our portfolio company boards.
Our approach

In line with our commitment to invest our clients’ capital in a responsible manner, we have over the years constantly strived to establish and enhance our approach to ESG integration. Moving into the impact investment space was a natural next step and allows us to further build on our ESG integration capabilities.

Our experience of impact investing dates back to 2006, when our employee foundation PG Impact (Verein) was established and incorporated with the aim of supporting non-profit organizations and social enterprises that create positive impact. In 2015, we supported the launch of PG Impact Investments, a global impact investment firm that is focused on finding investment solutions to address the world’s most pressing social challenges, and, in 2018, we launched our own impact-at-scale investment strategy, PG LIFE.

Our progress in 2018

Launching an impact-at-scale strategy

Launched in March 2018, PG LIFE is 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. To achieve this, PG LIFE integrates impact considerations into the investment lifecycle, building on our approach to ESG integration throughout our regular investment process. Companies and assets qualify for the strategy only once they have been assessed, both during investment sourcing and due diligence, for their potential to generate SDG-relevant environmental and social impacts.

In a first step, investment opportunities are assessed for impact against the SDGs using a logic model. Commonly used in the impact investment industry, logic models help set out how society experiences the impacts generated by the activities of a company or asset, both positive and negative. The model links investment opportunities to potential outputs, outcomes, and ultimately impacts. These impacts can then be linked to a relevant SDG and SDG targets.

In a next step, using the shared fundamentals agreed through the Impact Management Project (IMP), an internationally recognized impact measurement framework, we compile an impact assessment. This gives us a sense of the significance of an investment’s impact and what effects would need to be managed during our ownership. Throughout the impact assessment, each investment is scored on a five-point scale using the IMP’s five dimensions of impact.

The lifecycle of a PG LIFE investment

<table>
<thead>
<tr>
<th>Sourcing</th>
<th>Due diligence</th>
<th>Impact decision</th>
<th>Ownership</th>
<th>Exit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attractive investment opportunities are pursued leveraging Partners Group’s global deal flow</td>
<td>Due diligence and impact assessment consistent with Partners Group’s standard process</td>
<td>Impact Committee reviews impact assessment and SDG value creation initiatives</td>
<td>Monitor and manage SDG impact through annual data collection and validation process</td>
<td>Impact measurement learnings integrated into new and existing PG LIFE investments</td>
</tr>
</tbody>
</table>
The Impact Management Project's five dimensions of impact

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Questions each impact dimension seeks to answer</th>
<th>PG LIFE impact goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>What?</td>
<td>What outcome(s) do business activities drive? How important are these to the people (or planet) experiencing them?</td>
<td>PG LIFE targets the SDGs that are a high priority in the countries where a particular investment operates.</td>
</tr>
<tr>
<td>Who?</td>
<td>Who experiences the outcome? How underserved are the stakeholders in relation to the outcome?</td>
<td>PG LIFE targets the underserved in relation to those SDGs, whether it is people or the environment.</td>
</tr>
<tr>
<td>How much?</td>
<td>How much of the outcome occurs across scale, depth, and duration?</td>
<td>PG LIFE aims to improve the lives of stakeholders in a lasting (enduring) and meaningful (deep) way – at scale.</td>
</tr>
<tr>
<td>Enterprise contribution</td>
<td>What is the enterprise’s contribution to what would likely happen anyway?</td>
<td>PG LIFE analyses the country- and sub-region-level market context to check that the depth and/or duration of investees’ performance is likely to be better than what the market would achieve anyway.</td>
</tr>
<tr>
<td>Investor contribution</td>
<td>What strategies will PG LIFE use to contribute to its portfolio’s impact?</td>
<td>PG LIFE will signal that measurable impact matters and engage actively through business-building, active ownership and governance.</td>
</tr>
<tr>
<td>Risk</td>
<td>What is the risk to people and planet that impact does not occur as expected?</td>
<td>PG LIFE aims to invest in companies where the risk that positive impacts will not materialize is relatively low.</td>
</tr>
</tbody>
</table>

Source: IMP Partners Group case study, February 2019

Finally, a selection of relevant impact KPIs is defined to ensure that impacts on all stakeholders are trackable, measurable and reportable. The KPIs are defined based on the initial logic model, the GRI’s Business Reporting on the SDGs, and the Global Impact Investing Network’s IRIS metrics.

The results of the impact assessment performed during due diligence are considered by the PG LIFE Impact Committee as one of the key factors in determining whether or not to go ahead with an investment. Once we have invested in a company or asset, we monitor the impact-related KPIs defined during the assessment throughout our ownership and report on them in PG LIFE’s annual impact reports. At exit, PG LIFE will integrate learnings on how to create and sustain impact into new and existing PG LIFE investments.

Gaining industry recognition
Since launching PG LIFE, our innovative approach to impact measurement and contribution to translating the SDGs into a tangible strategy has been recognized by the broader industry, most notably by the Global Impact Investing Network (GIIN), the Impact Management Project (IMP) and the International Finance Corporation (IFC). In 2018, the GIIN featured a case study on PG LIFE in its report “Financing the SDGs: Impact Investment in Action.” In addition, the IMP produced a white paper on our application of their framework to private markets and impact-at-scale, which was published in February 2019.

Finally, throughout the reporting year, we supported the IFC in shaping its Operating Principles for Impact Management. We were part of a 15-member sounding board tasked with developing the principles, which are scheduled to be launched in April 2019.
In 2019, we will continue to develop our PG LIFE impact assessment methodology, maintaining our collaboration with relevant industry bodies. We will also assess whether elements of our impact methodology can be applied to non-PG LIFE investments in order to further improve our approach to ESG integration throughout our portfolio.

At the start of 2019, PG Impact Investments announced the closing of its inaugural fund, PG Impact Investments I, L.P. The program’s fundraising ended in December 2018 with commitments totalling USD 210 million, significantly exceeding its initial target of USD 150 million.

The program follows a global, integrated, relative value approach to impact investing with the goal to improve the lives of people who are underserved while generating attractive financial returns. The program has a strong focus on emerging markets with the aim to generate impact where impact is needed most. It invests across the main social impact sectors (financial inclusion, affordable housing, energy access, agriculture/food, health and education) in alignment with the UN Sustainable Development Goals and across the entire capital structure (equity, mezzanine and debt) through direct investments and select fund partnerships.

To find out more about PG Impact Investments, visit www.pg-impact.com.
The SDGs are a set of 17 goals launched by the UN in 2015 to address the world's sustainability priorities. Can you give us some background on the goals?

The SDGs are founded on the idea of sustainable development. In essence, sustainable development calls for socially inclusive and environmentally bearable economic growth across the world, without downplaying the vast differences in local, national, and regional circumstances. It also acknowledges that in the 21st century, our economic, social and environmental affairs are interconnected in unprecedented ways.

In terms of the complexities involved, it is a lot like medicine. Doctors are trained to understand the human body as a symbiotic whole, where even a small change in one part of the body may result in profound and cascading effects in another. A fever or a pain can have countless causes, and physicians have to be versed in all of them before they try to figure out the specific origin for a particular patient.

"Sustainable development acknowledges that in the 21st century, our economic, social and environmental affairs are interconnected in unprecedented ways."

The concept of sustainable development is much like that – but on a planetary scale. As a method to understand the world, it involves an all-inclusive approach to studying the interactions of the economy, the physical world, politics and culture, and how they influence prosperity, social inclusion, and environmental viability.
In addition, the nature of some of the SDGs, for example, SDG 8 – decent work and economic growth, naturally emphasize the private sector’s role in delivering the goal. The UN Commission on Trade and Development estimated that meeting the SDGs would require USD 5-7 trillion in annual investment from 2015 to 2030, and it is estimated that between USD 4-6 trillion of this is required from private capital sources.

Since mid-2018, you have been a member of the LIFE Council, an independent oversight committee for PG LIFE, our impact-at-scale strategy. What attracted you to this role?

I have continued to champion the SDGs following my term as President of the UN General Assembly because I think fulfilling them is the key to our future. These goals will help transform our world for the better. And it is absolutely clear to me that the private sector has an indispensable role to play.

It is therefore fantastic to see a firm like Partners Group launch a dedicated investment strategy in support of the SDGs. While public markets have moved towards more emphasis on reducing or excluding investments in certain sectors with negative ESG impacts, a private markets investor like Partners Group has a unique opportunity to deliver positive impacts for society. Partners Group has a long-term investment horizon and focuses on value creation through active management, which enables it to shape and drive change, making it ideally placed to contribute to achieving the SDGs. In addition, the PG LIFE strategy builds on the firm’s global, institutional platform and will invest in multiple asset classes, capturing a wide range of opportunities.

"These goals will help transform our world for the better. And it is absolutely clear to me that the private sector has an indispensable role to play."

How does PG LIFE’s framework help deliver the SDGs?

PG LIFE has a clearly defined and transparent decision-making process with no return trade-off, as well as a dedicated Impact Committee overseen by the independent external LIFE Council that I am a part of. It adopts a rigorous methodology to evaluate each investment opportunity and examine the positive social and environmental impact it would generate.

In addition, through active ownership, Partners Group ensures that the impact metrics identified are in fact delivered, with verifiable results. We have had onboarding calls and meetings with several PG LIFE assets. They have welcomed the impact layer of our ownership and appreciated that we are helping them professionalize these aspects of their operations.

My role on the LIFE Council is to give strategic advice on the investment strategy, making sure that we do not deviate from delivering the SDGs. The Council will also provide guidance on sector-specific impact topics and review PG LIFE’s impact track record and the overall effectiveness of its impact methodology.

What is your wish for the future of the impact investment space?

It bears repeating: achieving a sustainable future will require the input of a broad range of key stakeholders: not just governments, but also business leaders, the scientific community and civil society. In this respect, Partners Group has been an early mover in this space, working with businesses that are at the forefront of addressing the global issues we face through its PG LIFE strategy.

I believe firms like Partners Group should continue to leverage their resources, work with their full range of stakeholders, and be thought leaders among their peers. The knowledge and experience accumulated in this process will be invaluable for other actors working towards the same goals.

Vuk Jeremić

Vuk Jeremić is a Serbian diplomat who served as Serbia’s Minister of Foreign Affairs between 2007 and 2012 and President of the 67th session of the United Nations General Assembly between September 2012 and September 2013. He is the current president of the Center for International Relations and Sustainable Development (CIRSD) and editor-in-chief of Horizons, a global public policy magazine. During his tenure as the President of the UN General Assembly, Mr. Jeremić launched the negotiations that led to the UN 2030 Agenda for Sustainable Development, including the all-important Sustainable Development Goals.

Mr. Jeremić holds a bachelor’s degree in theoretical and experimental physics from Cambridge University and a master’s degree in public administration/international development from Harvard University’s John F. Kennedy School of Government. He was named a Young Global Leader by the World Economic Forum in 2013 and appointed to the Leadership Council of the UN Sustainable Development Solutions Network in 2014.
Corporate philanthropy

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Negative screening / SRI</th>
<th>Responsible investment / ESG integration</th>
<th>Impact investing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited or no focus on ESG factors</td>
<td>Excluding investments based on harmful products, services or practices</td>
<td>Focus on creating and protecting value through consideration of ESG factors</td>
<td>Market-rate</td>
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<tr>
<td></td>
<td></td>
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<td>Concessionary</td>
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<td></td>
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<td>Philanthropy</td>
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</tbody>
</table>

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 benefiting 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 entrepreneurialism. 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 2018

Since its inception, PG Impact has supported 52 projects across the globe with both grants and seed-stage impact investments, committing to 13 projects in 2018 (2017: twelve).

2018 grant example: BioBus

In 2018, PG Impact provided a grant to BioBus, a US-based organization whose mission is to help minority, female, and low-income K-12 and college students in New York City discover, explore, and pursue science. Since 2008, BioBus has helped over 250,000 students at more than 500 schools discover the thrill of scientific discovery, with many embarking on a path of scientific exploration.

In addition to providing the organization with financial support, in November 2018, a group of Partners Group volunteers in our New York office hosted and delivered financial literacy training to eleven BioBus interns and teachers. The interns worked through financial education materials on topics such as insured financial institutions, types of bank accounts and other banking services and key banking terms. Following the success of the event, the group plans to hold further sessions throughout 2019.

2018 impact investment example: Essmart

In 2018, PG Impact invested in Essmart, an India-based social enterprise that distributes life-improving products, such as water filters, motorcycle safety vests and small solar lamps, to a network of mom-and-pop “kirana” shops in rural and semi-urban areas of India. The distribution network created by Essmart increases low-income consumers’ access to these products, while also having a significant impact on the income of kirana owners.
Our investment team’s impact thesis for Essmart is based on SDG 8, which relates to decent work and economic growth. We believe Essmart’s impact is threefold: it provides income growth of around 20-40% for small shop owners, improves product access for low-income consumers, and provides manufacturers with actionable insights on consumer product preferences in underserved markets through its proprietary logistics software.

Outlook
Our main goal for 2019 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; hosting breakfast meetings across our offices; and empowering our regional investment committees to invest larger amounts. In terms of commitments, we plan to make six to twelve grants and two to four impact investment in 2019.
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 financial risk, market risk, liquidity risk, operational risk and reputational risk.

Our progress in 2018

In 2018, we continued to strengthen our existing governance and risk management structures and made particular progress in the areas of group- and portfolio company-level board excellence, operational excellence and cybersecurity.

Amendments to our Board committee composition

Our Board committees are mandated to act in the best interest of the firm and ensure independence in assessing matters or making decisions that relate to our business. In order to provide our stakeholders with further assurance of the integrity and independence of our Board committees, in 2018, we amended the composition of our Nomination & Compensation and Risk & Audit Committees. As approved by shareholders on 9 May 2018 and subject to limitations provided under the law and our Articles of Association, the Nomination & Compensation and the Risk & Audit Committees shall now be presided over by independent Board members and consist of independent Board members only. Non-independent Board members will be allowed to join meetings as (non-voting) guests, which is seen as beneficial as these members can provide valuable insights on the firm’s activities if needed.

Fostering an entrepreneurial approach to ownership

Longer-term entrepreneurial governance is at the heart of our investment approach. In order to further our commitment to this approach, we established the new independent “Entrepreneurial Governance & Operating Directors” 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. The team will further build out Partners Group’s network of highly experienced (Lead) Operating Directors who will act as board members for the firm’s portfolio companies and assets, bringing a hands-on approach to strategy and value creation. In addition, the team is developing and implementing a set of key performance indicators for the assessment and tracking of all portfolio company boards.

Maintaining operational excellence

As a global private markets investment manager regulated in different jurisdictions, Partners Group strives to maintain high levels of operational effectiveness across its platform. Throughout 2018, we maintained awareness among our professionals that quality assurance and operational risk management are the obligation of every Partners Group employee through various initiatives. These included the thorough communication of changes to policies and directives as well as regular communication to employees through our bi-weekly Forum meetings or our annual compliance test.

Strengthening cybersecurity

Resilient IT systems, processes and networks are essential to our operations and commercial success. As we see a global trend towards more frequent, tailored and large-scale cyber attacks across a number of sectors, cyber risk management continues to be a topic on our Board’s agenda. For our industry, the following factors primarily drive risks: financial losses from fraudulently executed payments, cyber attacks targeting staff and threats arising from working with external service providers.

As a firm, 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 2018, we increased our cybersecurity training efforts for both our technical and business staff.
Initiatives included a firm-wide phishing campaign to support staff in the detection of phishing emails, over 15 cybersecurity training sessions for new joiners and higher-risk teams and targeted training on disaster recovery and cyber attack detection. During the year, we also invested in the detection and response capabilities of our systems, addressing vulnerabilities as we became aware of them. Furthermore, we continued to scan various resources, including the dark net, on a regular basis for leaked information about the firm and our staff.

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 2018, we continued to conduct regular breach tests on our systems together with our partners in order to further validate the security of these systems.

**Outlook**

In 2019, we plan to further strengthen our cybersecurity with a focus on detecting vulnerabilities even more efficiently and swiftly. We believe machine learning will become a more important element of this, helping us identify unusual access or data transmission patterns within our system landscape. We will also continue to implement risk control improvements for select processes and maintain our focus on educating business units on adequate process and control enhancements. Finally, the build-out of our new Entrepreneurial Governance & Operating Directors business unit will be a big area of focus for 2019 and beyond.
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.

Key financials

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>AuM as of the end of the year (in EUR bn)</td>
<td>61.9</td>
<td>72.8</td>
<td>+18%</td>
</tr>
<tr>
<td>AuM as of the end of the year (in CHF bn)</td>
<td>72.5</td>
<td>82.1</td>
<td>+13%</td>
</tr>
<tr>
<td>Revenue margin(^1)((^2))</td>
<td>1.89%</td>
<td>1.71%</td>
<td></td>
</tr>
<tr>
<td>Attributable to management fee margin(^3)</td>
<td>70%</td>
<td>76%</td>
<td></td>
</tr>
<tr>
<td>Attributable to performance fee margin(^3)</td>
<td>30%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Revenues (in CHF m)(^2)</td>
<td>1,245</td>
<td>1,326</td>
<td>+7%</td>
</tr>
<tr>
<td>Management fees (in CHF m)(^3)</td>
<td>873</td>
<td>1,002</td>
<td>+15%</td>
</tr>
<tr>
<td>Performance fees (in CHF m)</td>
<td>372</td>
<td>324</td>
<td>-13%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>66%</td>
<td>66%</td>
<td></td>
</tr>
<tr>
<td>EBITDA (in CHF m)</td>
<td>825</td>
<td>882</td>
<td>+7%</td>
</tr>
<tr>
<td>Profit (in CHF m)</td>
<td>752</td>
<td>769</td>
<td>+2%</td>
</tr>
</tbody>
</table>

1) Based on average AuM of CHF 77.6 billion in 2018 (CHF 65.8 billion), calculated on a daily basis. 2) Revenues from management services, net, including other operating income. 3) Management fees include recurring management fees and other revenues, net, and other operating income.

Read about our approach in our 2018 Annual Report

Our results in 2018

Solid fundraising and realizations continued to drive financial performance in 2018

Favorable, long-term underlying client trends, buoyed by the expectation of continued private markets outperformance over public markets, are the driving force behind the demand for comprehensive private markets offerings now and in the future. These structural industry dynamics combined with our long-term track record enabled us to generate solid financial performance across the board in 2018.

Revenues increased by 7% year-on-year to CHF 1,326 million, attributable to an increase in revenues from management fees and continued solid performance fee development. EBITDA increased by 7% year-on-year, in line with revenues, to CHF 882 million. Profit increased by only 2% year-on-year to CHF 769 million due to a slightly lower financial result and higher taxes. These achievements, combined with our stable margins and balance sheet-light approach to business, also translated into an attractive dividend proposal of CHF 22.00 per share for the year 2018.
Financial outlook

We are moving confidently into 2019 and see solid demand for our new programs and mandates from clients across the globe.

- We expect management fees to continue to grow alongside AuM.
- We continue to expect performance fees to remain within the expected bandwidth of around 20-30% as a proportion of total revenues, assuming that the market remains favorable to exits.
- We expect personnel expenses to increase broadly in line with AuM and management fees as we continue to sustainably invest in the build-out of our investment platform and hiring of dedicated professionals. Performance-related compensation will continue to depend on performance fee development.
- Our balance sheet remains solid. With CHF 2.0 billion in shareholders’ equity and CHF 1.2 billion net liquidity, we feel well-equipped to realize the potential of private markets in different economic environments.
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.

Read about our culture and values in our Charter

Read about our approach to employee compensation and benefits in our 2018 Compensation Report

Our people in 2018

In 2018, we continued to hire talented professionals from across the globe and expanded our platform to 1,203 employees (2017: 1,036). This means we created 167 new jobs in one year. The percentage of female (40%) and male (60%) employees remained at around the same level as in 2017. 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 2018, our turnover rate of 16.5% (2017: 12.1%) was slightly above our expected turnover range of 10-15%. In 2019, bringing the turnover rate back to our target range will be one of our focus areas. We have commenced a number of targeted initiatives, outlined in more detail below, including engaging a leading global organizational consulting firm to support us in achieving this aim.
2018 employee information

### Headcount (HC) by rank and gender

<table>
<thead>
<tr>
<th>Rank</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Junior</td>
<td>223</td>
<td>179</td>
<td>402</td>
</tr>
<tr>
<td>Mid-level</td>
<td>187</td>
<td>290</td>
<td>477</td>
</tr>
<tr>
<td>Senior</td>
<td>52</td>
<td>172</td>
<td>224</td>
</tr>
<tr>
<td>Managing Directors &amp; Partners</td>
<td>8</td>
<td>92</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>470 (39%)</td>
<td>733 (61%)</td>
<td>1,203</td>
</tr>
</tbody>
</table>

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

- **Europe**: 558
- **Americas**: 247
- **Asia**: 398

### HC by employee type

- **Part-time**
  - Male: 19
  - Female: 27

- **Temporary**
  - Male: 15
  - Female: 15

### HC by employment contract

- **Full-time**
  - Male: 714
  - Female: 443

- **Permanent**
  - Male: 733
  - Female: 470

### HC by age group

- **<30**: 442
- **30-50**: 696
- **>50**: 65

### HC by employee type

- **Part-time**
  - Male: 19
  - Female: 27

- **Temporary**
  - Male: 15
  - Female: 15

- **Full-time**
  - Male: 714
  - Female: 443

- **Permanent**
  - Male: 733
  - Female: 470

### HC by age group

- **<30**: 442
- **30-50**: 696
- **>50**: 65

Note: as of 31 December 2018.
Source: Partners Group.

2018 new joiner information

### New joiners by region

- **Europe**: 37.7%
- **Americas**: 28.7%
- **Asia**: 33.6%

### New joiners by gender

- **Male**: 59.7%
- **Female**: 40.3%

### New joiners by age group

- **<30**: 59%
- **30-50**: 43%
- **>50**: 4%

Note: as of 31 December 2018.
Source: Partners Group.

2018 leaver information

### Leavers by region

- **Europe**: 41.4%
- **Americas**: 18.8%
- **Asia**: 39.8%

### Leavers by gender

- **Male**: 57.5%
- **Female**: 42.5%

### Leavers by age group

- **<30**: 43%
- **30-50**: 55%
- **>50**: 4%

Note: as of 31 December 2018.
Source: Partners Group.
Our progress in 2018

In 2018, we continued to invest in the development of our people and made particular progress in the areas of employee onboarding, training and development. During the year, we identified leadership development as an area that we wish to put increased emphasis on going forward, especially as our firm continues to grow.

Gender diversity was also a focus topic in 2018. We acknowledge there is currently an imbalance in the ratio of males to females at senior level and wish to address this imbalance in a proactive manner. Throughout the year, we launched a number of initiatives, outlined below, that we believe will allow us to find the next generation of female leaders and further develop our existing female talent.

New onboarding program

As our global platform continues to grow, we are aware of the need to properly onboard each new joiner in order to foster organizational integration. Collectively, we want to make sure that new joiners have the support they need to start a successful career at Partners Group. To complement our existing introductory programs for new joiners, we launched a new onboarding program in 2018, which pairs new hires or employees transferring to new teams or locations with an experienced Partners Group "buddy". A buddy will share knowledge and introduce new joiners to our people, processes and culture, helping them to rapidly build an understanding of our organization and broaden their internal network. The program is designed not only to orient new employees but also to further promote an inclusive workplace.

Analyst Program expanded into Asia-Pacific

Partners Group’s Analyst Program is a unique opportunity for recent university graduates with top credentials to launch an exciting and challenging career in private markets with a leading private markets investment manager. Program participants rotate across our investment teams as well as within our client solutions and portfolio management teams, interacting with colleagues from each of our 19 global offices. As a comprehensive, multi-year program, the Analyst Program is designed to equip participants with the financial and analytical skills required to succeed in private markets investment through a mixture of education and on-the-job experience. In 2018, we welcomed 33 young professionals from ten countries (2017: 13 from eight countries) to our Analyst Programs in Europe and the US, as well as to our first Asia-Pacific Analyst Program.

Tailored training for team heads globally

Every year, we invite leaders from across our business units in the US, Europe and Asia-Pacific to take part in our Team Head Training programs. During these sessions, participants engage in discussions, workshops and role plays to improve their individual leadership styles and become more inclusive leaders. In 2018, 20 leaders from across our business units took part in the program (2017: 20). Furthermore, in 2018, we conducted the first Team Head Training program for select team leaders in our Manila office, which has continued to expand successfully since we first opened it in mid-2016. The training was attended by 22 professionals from across the business and aimed to provide participants with practical tips on becoming more effective people managers.
Improved performance and development reviews

As stated in our Charter, we want to give our employees the chance to grow both professionally and personally. That is why we aim to cultivate an environment of year-round continuous feedback between employees and their managers. We also evaluate individual development through both a quantitative goal-setting process and a qualitative 360° feedback process to ensure our professionals have the support they need to achieve their personal and professional goals.

In 2018, we enhanced these formal review processes, integrating them into a more user-friendly online system and further aligning them with the values and competencies we expect from our employees based on our Charter. Following these amendments, we conducted an employee survey on the formal review process in order to assess the quality of feedback received by employees from their managers. The survey was hosted by a third party on an anonymous basis and yielded a response rate of over 60%. Overall, results showed that managers were rated positively on their ability to deliver feedback and provide concrete development objectives. However, the need to provide more frequent feedback throughout the year was identified as an area for improvement. Based on these results, each manager was provided with a personalized feedback report, providing valuable insights on their leadership style and potential improvement points for the next formal review cycle.

Achieving ownership excellence

Leadership, excellence and entrepreneurship have always been among our core values as a firm. In line with our Charter, we want to proactively identify, develop and nurture our future leaders, operate world-class systems and processes and apply the mind-set of an owner to everything we do. However, as our firm 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. In 2018, we decided to put increased emphasis on achieving what we call “ownership excellence” in order to address this issue and engaged a global organizational consultancy firm to work with us on these topics. We have mandated the consultancy firm to spend a year in-house at Partners Group, exploring what has made us successful, what is slowing us down, and what we need to build up as we grow. To assess leadership skills, organizational effectiveness and cultural aspects, the firm will hold formal and informal interviews and group discussions with employees across offices, ranks and departments; observe meetings; and conduct an employee survey. Through this collaboration, we hope to both identify and start to close gaps in these areas.

Focus on promoting gender diversity

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. Hiring and developing more female talent is a key aspect of this. 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 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.

We promote gender diversity

- 20 by 2020 – focus on hiring

As of the end of 2018, we had almost achieved our target of having female ambassadors at our 20 target universities across Europe, the US and Asia.

As part of their engagements with the universities, our ambassadors have attended a number of alumni events, women’s clubs, career fairs and speaking engagements globally in order to promote Partners Group as an employer of choice.

Furthermore, as a result of our 20 by 2020 initiative, in 2018, we established the PG Summer Campus, a unique internship opportunity for highly talented women taking place in two locations across Switzerland and the US over the summer.

Stefanie Breuer, one of Partners Group’s ambassadors, hosting a presentation for the MBF Women Club at the University of St. Gallen in Switzerland.
months. The program is open to female applicants and members of other underrepresented groups in the penultimate year of their Master’s or MBA degree. It provides participants with hands-on work experience in our investment, client solutions and Industry Value Creation teams, as well as the opportunity to meet senior leaders and build their professional network. Successful program participants will be invited to apply for Partners Group’s Financial Analyst and Associate Programs and, in turn, act as the next generation of Partners Group ambassadors at their respective universities.

**Girls Who Invest sponsorship and internship**

Since November 2017, we have supported Girls Who Invest, a US-based non-profit that is working to bring more investment professionals into the asset management industry through intensive skills-based summer trainings. Girls Who Invest also provides online training programs and paid summer internships with partnering asset managers.

As a financial partner, we had the opportunity in 2018 to provide two Girls Who Invest fellows with summer internships in our Denver office. The participants interned with our private equity and private real estate investment teams and received extensive training from their assigned Partners Group mentors. In addition, throughout the summer, we broadened the reach of the program beyond our two interns by hosting “lunch and learn” sessions once a week for all of the Girls Who Invest interns in Denver. In turn, each of our investment teams presented and explained what their day-to-day job was like during casual question and answer sessions that resulted in a high degree of interest and engagement among the interns.

**Level 20 sponsorship**

In 2018, we became a supporter of Level 20, a European-based non-profit organization 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. In 2015, when the organization was founded, women occupied only around 5% of these positions.

As a sponsor, Partners Group will have access and the potential to contribute to Level 20’s research, events, educational outreach and mentoring programs, which we hope will further support our goal of promoting gender diversity within our firm and the broader industry.

**Outlook**

As we continue to grow our global platform in 2019 and beyond, we want to ensure we develop both our new and existing talent. In particular, we will focus on further developing employees at all levels by providing regular feedback and support, promoting our female talent at all levels of the organization and identifying and closing gaps in leadership skills.

- **25 by 2025 – focus on development**

As of the end of 2018, we had achieved 40% of our 25 by 2025 target, with a total of ten female Partners and Managing Directors at Partners Group, including Board members. The 2018 year-end promotions (effective as of 1 January 2019) increased this proportion to 48%. In order to achieve 100% of our target by 2025, the development of our existing female talent through our mentoring program and other leadership development program will be a key area of focus.
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

Our progress in 2018

In 2018, we maintained our focus on fostering a strong culture of ethics and compliance with local and international laws and regulations, publishing a new Code of Personal Conduct and enhancing our compliance training programs.

New Code of Personal Conduct

In line with our Charter, we aim to be seen as role models for professional and personal conduct. To meet this goal, we understand that we must hold ourselves to the highest possible standards of ethical business conduct. In 2018, we established a new Code of Personal Conduct for our employees to complement our existing group-level Code of Conduct. The new Code articulates key principles to ensure our conduct and decision-making adhere to high ethical, legal and professional standards. It helps employees understand the essence of Partners Group’s policies and directives by providing them with practical tips and real-life examples. We expect all of our employees, leaders and directors to know and follow the Code and to incorporate its principles and values into what they say and do.

Enhanced compliance training programs

In 2018, our Compliance team focused on enhancing the firm’s annual compliance training program, making it more challenging but also more user-friendly for employees. The team’s training efforts were strengthened by a new online learning management system which will allow more frequent and personalized trainings to be launched going forward. The team has also hired additional resources dedicated entirely to the management and development of our firm-wide compliance training.

Outlook

In 2019, we expect to see more regulation globally and will continue to monitor regulatory developments closely in order to determine whether these will impact our firm. Our Compliance team will also continue to focus on its testing and controlling activities worldwide and will look to further centralize these where appropriate. In addition, the team will maintain its strong focus on employee compliance training.
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 reduction, re-use and recycling in our offices; avoiding pollution by reducing unnecessary business travel; taking environmental issues into consideration when purchasing goods and services; and considering environmental issues and energy preservation in the acquisition, design, renovation, location and use of office buildings.

Our progress in 2018

Our environmental commitments

Partners Group voluntarily participated in the Carbon Disclosure Project (CDP) in 2018. CDP is an independent, non-profit organization that 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.

Impact of business travel in 2018

As a private markets investment manager, business travel is by far our greatest source of CO2 emissions. The aim of any business trip is to ensure proximity to our clients, investments – including for our ESG engagement activities – and shareholders, which we believe to be a key factor in securing Partners Group’s long-term success. However, to reduce our impact on the environment, our Travel Policy encourages all employees to travel in an efficient manner, avoiding unnecessary trips. In addition, we have further invested in installing video conferencing systems in all our offices globally to support the reduction of business travel between offices.

Outlook

In 2019, we expect renewable energy and energy efficiency to remain key areas of focus for our investment activities globally. In fact, we have identified the global shift toward clean and more efficient energy as one of our main investment themes for the coming years. The agreed international goal of reducing greenhouse gas emissions is at the heart of energy policies almost everywhere and is likely to be achieved through a combination of improved energy efficiency and a higher share of renewables in the energy system. Another important contributor to demand for renewable energy assets is the increasing cost competitiveness of renewable energy compared to traditional energy sources. Today, these technologies are already cheaper than building new large-scale coal and gas plants in many major markets, including India, Germany, Australia, the US and China. In 2019, we will continue to focus on opportunities to build core renewable energy assets globally and on select renewable platform expansion opportunities.

Finally, throughout the year, we will explore options to reduce or offset our own CO2 emissions caused by business travel.

Renewable energy is a key focus area for Partners Group. As of the end of 2018, we have a renewable energy portfolio totaling 6.4 GW in generation capacity. This is enough clean energy capacity to power over 2.2 million households.
Materiality assessment methodology

Our approach to assessing materiality
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 and Board of Directors, 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 that each group considers to be most relevant to 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.

Our approach to stakeholder engagement
The chart below shows the direct and extended stakeholder groups identified in our stakeholder assessment process as well as the engagement channels established with each direct stakeholder group.

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.
GRI content index

The table below indicates where information relating to the Global Reporting Initiative Standards is located in Partners Group’s 2018 Corporate Sustainability Report and Annual Report or in other Partners Group materials.

### General Disclosures

<table>
<thead>
<tr>
<th>GRI 102: General Disclosures 2016</th>
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<tbody>
<tr>
<td><strong>Disclosure</strong></td>
<td><strong>Description</strong></td>
</tr>
<tr>
<td><strong>Organizational profile</strong></td>
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<tr>
<td>102-1</td>
<td>Name of the organization.</td>
</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products and services.</td>
</tr>
<tr>
<td>102-3</td>
<td>Location of headquarters.</td>
</tr>
<tr>
<td>102-4</td>
<td>Location of operations.</td>
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<tr>
<td>102-6</td>
<td>Markets served.</td>
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<tr>
<td>102-7</td>
<td>Scale of the organization.</td>
</tr>
<tr>
<td>102-8</td>
<td>Information on employees and other workers.</td>
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<tr>
<td>102-9</td>
<td>Supply chain.</td>
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<tr>
<td>102-10</td>
<td>Significant changes to the organization and its supply chain.</td>
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<td>102-11</td>
<td>Precautionary Principle or approach.</td>
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<td>102-12</td>
<td>External initiatives.</td>
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<td>Disclosure</td>
<td>Description</td>
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<tr>
<td>------------</td>
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</table>
| 102-13     | Membership of associations.           | Industry associations:  
• ABVCAP (Brazilian Private Equity & Venture Capital Association)  
• 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)  
• 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**

<table>
<thead>
<tr>
<th>Disclosure</th>
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<th>Response / location</th>
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<tbody>
<tr>
<td>102-14</td>
<td>Statement from senior decision-maker.</td>
<td>ESGR, A note from the Chairman, p. 3</td>
</tr>
</tbody>
</table>

**Ethics and integrity**

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Description</th>
<th>Response / location</th>
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</table>
| 102-16     | Values, principles, standards and norms of behavior. | Partners Group Charter  
Partners Group Code of Conduct |

**Governance**

<table>
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<tr>
<td>102-18</td>
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<td>CGR</td>
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<tr>
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<tr>
<td><strong>Stakeholder engagement</strong></td>
<td></td>
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<tr>
<td>102-40</td>
<td>List of stakeholder groups.</td>
<td>ESGR, Materiality assessment methodology, p. 48</td>
</tr>
<tr>
<td>102-41</td>
<td>Collective bargaining agreements.</td>
<td>Partners Group currently has no employees covered by collective bargaining agreements.</td>
</tr>
<tr>
<td>102-42</td>
<td>Identifying and selecting stakeholders.</td>
<td>ESGR, Materiality assessment methodology, p. 48</td>
</tr>
<tr>
<td>102-43</td>
<td>Approach to stakeholder engagement.</td>
<td>ESGR, Materiality assessment methodology, p. 48</td>
</tr>
<tr>
<td>102-44</td>
<td>Key topics and concerns raised.</td>
<td>ESGR, Materiality assessment, p. 8</td>
</tr>
<tr>
<td><strong>Reporting practice</strong></td>
<td></td>
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<tr>
<td>102-45</td>
<td>Entities included in the consolidated financial statements.</td>
<td>AR, 1. Reporting entity, p. 50</td>
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<td>102-46</td>
<td>Defining report content and topic boundaries.</td>
<td>ESGR, Materiality assessment, p. 8 ESGR, Materiality assessment methodology, p. 48</td>
</tr>
<tr>
<td>102-47</td>
<td>List of material topics.</td>
<td>ESGR, Materiality assessment, p. 8</td>
</tr>
<tr>
<td>102-48</td>
<td>Restatements of information.</td>
<td>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.</td>
</tr>
<tr>
<td>102-49</td>
<td>Changes in reporting.</td>
<td>No significant changes from previous reporting periods in the list of material topics and topic boundaries.</td>
</tr>
<tr>
<td>102-53</td>
<td>Contact point for questions regarding the report.</td>
<td>ESGR, Contacts, p. 54</td>
</tr>
<tr>
<td>102-54</td>
<td>Claims of reporting in accordance with the GRI Standards.</td>
<td>This report has been prepared in accordance with the GRI Standards: Core option.</td>
</tr>
<tr>
<td>102-55</td>
<td>GRI content index.</td>
<td>The GRI content index (this document) is in accordance with the GRI Standards.</td>
</tr>
<tr>
<td>102-56</td>
<td>External assurance.</td>
<td>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.</td>
</tr>
</tbody>
</table>
Material topics
The table below lists the material topics identified during Partners Group’s materiality assessment process (see ESGR, p. 8). All topics identified pertain directly to Partners Group Holding AG and entities controlled by it.

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Description</th>
<th>Response / location</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 201: Economic Performance 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>201-1</td>
<td>Direct economic value generated and distributed.</td>
<td>ESGR, Financial performance, p. 35</td>
</tr>
<tr>
<td><strong>Indirect economic impacts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 203: Indirect Economic Impacts 2016</td>
<td></td>
<td></td>
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<tr>
<td>203-1</td>
<td>Infrastructure investments and services supported.</td>
<td>AR, Investments, pp. 9-12</td>
</tr>
<tr>
<td><strong>Anti-corruption and responsible business practices</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 205: Anti-corruption 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>205-2</td>
<td>Communication and training about anti-corruption policies and procedures.</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Environmental compliance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 307: Environmental Compliance 2016</td>
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<td></td>
</tr>
<tr>
<td>307-1</td>
<td>Non-compliance with environmental laws and regulations.</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Human capital management</strong></td>
<td></td>
<td></td>
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<tr>
<td>GRI 401: Employment 2016</td>
<td></td>
<td></td>
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<tr>
<td>401-1</td>
<td>New employee hires and employee turnover.</td>
<td>ESGR, Our people in 2018, pp. 39-40</td>
</tr>
<tr>
<td>GRI 404: Training and Education 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>404-2</td>
<td>Programs for upgrading employee skills and transition assistance programs.</td>
<td>ESGR, Our progress in 2018, pp. 41-42</td>
</tr>
<tr>
<td>404-3</td>
<td>Percentage of employees receiving regular performance and career development reviews.</td>
<td>All Partners Group employees receive annual performance and career development reviews. ESGR, Our progress in 2018, pp. 41-42</td>
</tr>
<tr>
<td>Disclosure</td>
<td>Description</td>
<td>Response / location</td>
</tr>
<tr>
<td>------------</td>
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<tr>
<td>Diversity and inclusion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 405: Diversity and Equal Opportunity 2016</td>
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<tr>
<td>Marketing compliance</td>
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<tr>
<td>GRI 417: Marketing and Labeling 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>417-3 Incidents of non-compliance concerning marketing communications.</td>
<td>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.</td>
<td></td>
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<tr>
<td>Data protection and customer privacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 418: Customer Privacy 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data.</td>
<td>During the reporting period, no substantiated complaints regarding breaches of customer privacy and losses of customer data were identified.</td>
<td></td>
</tr>
<tr>
<td>Socioeconomic compliance</td>
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<td></td>
</tr>
<tr>
<td>GRI 419: Socioeconomic Compliance 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>419-1 Non-compliance with laws and regulations in the social and economic area.</td>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>Risk management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>n/a Approach to risk management.</td>
<td>ESGR, Corporate governance &amp; risk management, pp. 33-34&lt;br&gt;CGR, 3.7.1 Group risk governance, pp. 164-166&lt;br&gt;CGR, 3.7.2 Risk management process, pp. 166-167</td>
<td></td>
</tr>
<tr>
<td>Responsible investment</td>
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<tr>
<td>n/a Approach to responsible investment.</td>
<td>ESGR, ESG integration, pp. 12-22</td>
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<tr>
<td>Compensation and benefits</td>
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<tr>
<td>n/a Approach to employee compensation and benefits.</td>
<td>Compensation Report 2018</td>
<td></td>
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</tbody>
</table>
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