Compensation Report

Grace del Rosario-Castaño member of the Board of Directors and Chairwoman of the Nomination and Compensation Committee

Dear clients, business partners and fellow shareholders,

As Chairwoman of the Nomination & Compensation Committee of the Board, I am pleased to present you with Partners Group's 2019 Compensation Report. In this report, the Nomination & Compensation Committee outlines the philosophy and principles behind our compensation structure and discloses the compensation paid to the members of the Executive Committee and the Board for the fiscal year 2019.

2019 financial and investment performance

In 2019, Partners Group continued its growth trajectory as measured by most key figures. We realized further potential in private markets and invested USD 15 billion on behalf of our clients, maintaining our highly disciplined approach and rigorous standards of selectivity across all private markets asset classes. Assets under management grew by 13%, net, to USD 94 billion and management fees grew by 14% to CHF 1'138 million. Revenues increased by 21% year-on-year to CHF 1'610 million and EBIT by 17% and CHF 1'008 million, respectively. Based on the solid development of the business in all asset classes and regions, the Board of Directors will propose a dividend of CHF 25.50 per share to shareholders at the next Annual General Meeting, representing a year-on-year increase of 16%.

Review of our compensation disclosure and shareholder feedback in 2019

Although the general philosophy behind our compensation policy has remained unchanged since inception, we undertake periodic reviews of our compensation structure and adjust as necessary to ensure that the interests of clients, shareholders, employees and other stakeholders remain well aligned.

In 2019, we reached out to major shareholders and several proxy advisors once again to reflect on industry trends and gather outside perspectives. During our meetings, we discussed the topics which we believe caused controversy among our shareholders and proxy advisors, resulting in a comparably low acceptance rate of only 69% for our Compensation Report at our last Annual General Meeting. This result motivated us to further improve the transparency and clarity of our approach to three main topics related to our short- and long-term compensation.

"We believe that executives' compensation should be more directly linked to achieving the objectives outlined by the firm."

To address these topics in this year's report, we have made amendments and/or provided additional information on the following:

- First, we clarify that the total short-term cash compensation granted to the Executive Committee is relatively consistent across the committee and represents a stable compensation component. It is equally split between a cash base salary and a deferred cash payment and not linked to performance targets (see section 3.1).
- Secondly, the Nomination & Compensation Committee suggested replacing one of the two payout components of our long-term incentive (LTI) scheme. The component in question links the payout to executives to a combination

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of 1) outperformance against a benchmark index[1], and, 2) the performance fee development of a given vintage pool. The Committee replaced this component with restricted shares of Partners Group Holding as it believes that executives' compensation should be more directly linked to achieving the objectives outlined by the firm ("pay-for-performance"). As of today, the payout component following the outperformance against a benchmark index represented half of the LTI grant value and only indirectly linked the pay of executives to the actual performance of the firm (via the share price development of a peer group). This view was also shared by our shareholders. Restricted shares as well as the remaining payout component better incentivize the team to reach company-specific objectives (see section 3.2).

- Thirdly, we follow the general corporate governance principle of "comply or explain" and explain why we grant (restricted) options to independent members of the Board as part of their total annual Board fee. We also provide insights into the Board compensation structures used in our industry.
  In private markets, independent directors on portfolio company Boards are expected to actively participate in developing value-enhancing strategies. In addition, independent directors are typically expected to invest a meaningful proportion of their own net worth into the portfolio company alongside private equity investors in order to participate in both upside potential and downside risk. In line with this principle, and to encourage engagement in value creation initiatives, incentive schemes for independent Board members may allow for additional upside through options – but only if these Board members materially share the downside risk.
  These compensation schemes have proven to be efficient and effective as a means to reward success during Partners Group's more than 20-year history as a private markets investment manager. While it is not possible to fully mirror the private markets approach to Board compensation in a public markets context, we wish to benefit directionally from this highly successful model (for more details see section 5.6).

1 S&P Listed Private Equity Index.

During our meetings with shareholders and proxy advisors, we also acknowledged upcoming focus topics and introduced our firm's current environment social governance (ESG)/corporate social responsibility (CSR) targets to stakeholders. Our targets include (i) achieving our 20 by 2020 and 25 by 2025 diversity targets[2], (ii) ensuring at least 90% of employees are trained on ethics-related issues, and (iii) establishing a deep-dive ESG engagement with every one of our lead direct investments. These targets are included in our overall executive compensation assessment (see Exhibit 2).

Compensation of the Executive Committee

The total short-term cash compensation granted to the Executive Committee in 2019 was similar to the amount granted in 2018. Half of the cash compensation was granted in the form of a base salary and the other half in the form of a deferred payment. We confirm that we have no intention to change this cash compensation approach in 2020 and clarify that the total short-term cash compensation granted to the Executive Committee is based on function and represents a stable compensation component.

"In private markets, independent directors on portfolio company Boards are expected to actively participate in developing value-enhancing strategies."

The Executive Committee was also granted LTIs in 2019, which had a similar grant value to those granted in 2018. In our annual review of our LTI scheme, we did not amend the methodology we use to determine the overall LTI pool. Our performance review confirmed that the overall objectives of the Executive Committee were met (see section 4.1): first, the Executive Committee met its financial targets (management fee EBIT increased in line with expectations), second, it modestly underperformed its investment objectives (a lower amount invested compared to the previous year resulted in slightly less performance fee-related investment volume) and third, it outperformed its qualitative objectives, which included the implementation of our "ownership excellence" programs across the organization resulting in increased operational effectiveness, improved leadership and organizational learnings

2 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 (see CSR report 2018/2019).

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(for e.g. our newly introduced PG Academy platform, a company-wide training platform). As a result of this assessment, the Nomination & Compensation Committee set the nominal amount of LTIs allocated in 2019 equal to the amount allocated in 2018 (i.e. as outlined in section 4.2., the overall compensation factor for the full-year 2019 LTI allocation was set at 1.0x). Around two thirds of the value were granted in restricted shares and around one third in Management Performance Plan (MPP) rights.

Compensation of executive Board members

Our approach to the compensation of executive members of the Board is similar to that of the Executive Committee. We determined the overall LTI pool by looking at quantitative and qualitative criteria. We then determined the individual LTI allocation based on performance relative to assignments and committee roles.

For the 2019 compensation, the combination of quantitative and qualitative assessment led to a compensation factor of 1.00x, based also on a moderate underperformance on performance fee-weighted investment volumes and an outperformance on leadership and strategic direction (e.g. driving "ownership excellence" programs, fostering the firm's approach to entrepreneurial governance across portfolio companies). As such, the overall amount of the LTI pool for executive members of the Board was similar to the amount granted in 2018. Also, individual LTI grants were set at the level of the previous year based on the achieved objectives of the executive Board members. Due to their already significant shareholding in the firm, executive members of the Board were granted their LTI entirely in MPP rights.

Compensation of independent Board members

As indicated in our 2018 Compensation Report, the Board has amended the compensation framework for independent Board members and proposed a more detailed, module-based compensation approach. This approach considers individual business assignments, the time each member allocates to Board committee responsibilities, and their additional contribution to the firm's business beyond their committee responsibilities (see section 5.4).

On behalf of Partners Group and the Nomination & Compensation Committee, I would like to thank you for your continued trust and support.

Yours sincerely,

Grace del Rosario - Castaño

Grace del Rosario-Castaño
Chairwoman of the Nomination & Compensation Committee

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1. Philosophy & principles

1.1 Philosophy

Our investment approach favors trusted, long-term relationships that extend beyond our USD 94 billion AuM and our more than 1'450 global professionals who operate a significant number of businesses and/or assets in various industries and sectors across the globe. Our professionals are responsible for over 180'000 employees who work for our largest portfolio companies and are responsible for creating long-term value for the over 200 million beneficiaries who are served by our clients. They focus on business and ownership excellence to realize the full development potential of private assets in which we invest.

Our compensation framework honors this responsibility and promotes a corporate culture that contributes to the company's sustained success, while adhering to its values. In order to best combine the interests of clients and shareholders with those of the firm's employees, our compensation framework includes a significant long-term incentive component that allows the firm and its employees to participate in investment success alongside clients.

1.2 Principles

When making compensation decisions, the Nomination & Compensation Committee follows three guiding principles, which apply to all employees:

- **Compensation follows contribution:** we have a unique business model and operate as one global firm, albeit with differentiated business lines and functions. The main drivers for the variable compensation elements in the firm's compensation framework are relative to individual and team results, as well as to the firm's overall achievements.
- **Equal opportunity and non-discrimination:** we are an equal opportunity employer and do not discriminate against employees on the basis of age, gender, nationality, or any other basis that is inconsistent with our guiding values. The firm is committed to a "pay for performance" and "fair pay" policy and systematically conducts equal pay analyses across departments and regions.
- **Compensation is no substitute for talent development:** compensation is an important pillar of governance and leadership. It is, however, no substitute for a caring culture, for non-material ways of recognizing individual achievements and for helping the development of the firm's human capital.

Our compensation philosophy stems from our firm's values

Our purpose is to deliver our clients superior and sustainable investment performance on a mid- to long-term basis, realizing the potential of private markets through our integrated platform. We strive for attractive financial returns and a premium valuation to honor the long-term trust of our shareholders. At the same time, our charter defines our overriding compensation philosophy for the most important asset of our firm, our employees.

Clients

We understand our clients' needs and build trusted, long-term relationships. Our aim is to provide tailored private markets portfolio solutions that enable them to achieve superior investment performance and benefit from market-leading client servicing. Our clients honor their trust through continued commitments to Partners Group's investment vehicles.

Shareholders

We strive for attractive financial returns and for a premium valuation to honor our shareholders' long-term confidence in our firm. Partners and employees hold a significant ownership in Partners Group and are thus aligned with external shareholders' interests.

Employees

We attract talented individuals who are committed to our purpose and values and help them to develop so that they perform at their best. Together, we create a demanding and rewarding environment throughout our firm.

Senior professionals are incentivized to participate in delivering superior investment performance to clients through their eligibility for compensation derived from the future performance fees earned by Partners Group's investments

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2. Pay for performance

The total short-term cash compensation granted to the Executive Committee is based on function and represents a stable compensation component. It is not linked to performance targets and is equally spilt between a cash base salary and a fixed deferred cash payment. In contrast, the allocation of LTIs, which should encourage true entrepreneurialism and a long-term perspective, is linked to two equally weighted annual performance assessments:

- **Quantitative achievements,** which assess the firm's financial performance and investment development.
- **Qualitative assessments,** which emphasize strategy implementation and leadership achievements.

In these annual performance assessments, the nominal LTI pool granted the previous year serves as a basis to calculate the LTI pool for the year under review. Based on the assessment of both quantitative and qualitative achievements, a compensation factor is determined, which is then multiplied by the previous year's nominal LTI pool. The Nomination & Compensation Committee has decided to cap the compensation factor at a maximum of 2.0x the previous year's LTI pool on the upper end, and at a minimum of 0.5x on the lower end, preventing either excessive upside and downside for LTI participants. For example, a compensation factor of 1.0x means that the nominal LTI pool in the year under review remains the same as in the previous year.

2.1. Assessment of quantitative measures

The financial performance of the firm reflects its operational strength and is typically a result of successful past decision-making. As such, the year-on-year development of the firm's financial performance is one of two quantitative input factors used to determine the compensation factor.

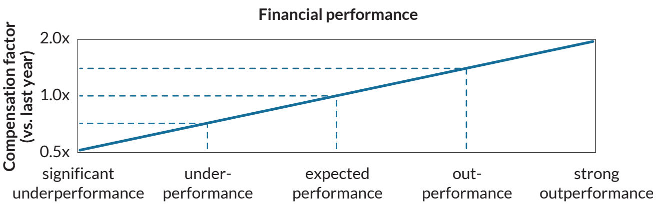
- **Assessment of financial performance (50% weighting)**
  We assess financial performance based on the year-on-year change in management fee EBIT (defined as EBIT adjusted for non-management fee-related and non-ordinary items).[3]

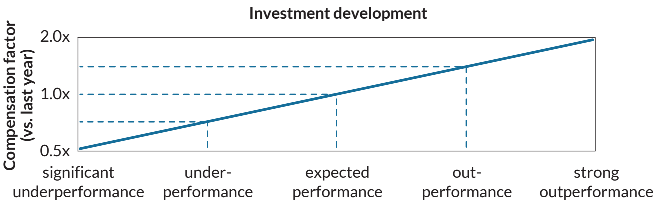
Successful investments made in the year under review provide the basis for potential future performance fees. Their year-on-year development serves as the second quantitative input factor determining the compensation factor.

3 As of the Nomination & Compensation Committee meeting in November of the year under review.

- **Assessment of investment development (50% weighting)**
  We assess investment development based on the year-on-year change in the performance fee-weighted investment volume (based on standardized model return targets defined at the investment date, adjusted for non-ordinary effects).

Exhibit 1: Year-on-year adjustment of quantitative assessment





2.2. Assessment of qualitative measures

The Nomination & Compensation Committee also applies a qualitative assessment, which is equally important and considers performance metrics such as strategy implementation and leadership achievements.

- **Assessment of strategy implementation:** we assess the successful implementation of key strategic initiatives as well as continued business & operational excellence across our platform and businesses.
- **Assessment of leadership achievements:** we assess the progress made on ensuring the organizational effectiveness of the firm, an entrepreneurial leadership culture as well as the development of talented individuals who are committed to the firm's purpose

The final compensation factor is derived from a combination of the abovementioned qualitative assessment and the quantitative assessment.

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2.2. Bottom-up LTI allocation to individuals

Once the top-down allocation for the Executive Committee and the Board has been completed, the individual assessment of each executive member commences. Individual goals differ depending on a member's function and level of responsibility and are outlined in Exhibit 2:

- At Executive Committee-level, each member has additional objectives with a greater focus on either investment-, client-, corporate-, service- or environmental social governance (ESG)/corporate social responsibility (CSR)-related activities.
- At Board committee-level, each executive member of the Board has additional responsibilities through his/her membership in the respective sub-committees.

2.3. Bonus-malus system

Long-term compensation awarded to members of the Executive Committee as well as to executive members of the Board, is subject to "malus" and "clawback" rules. This means that the Nomination & Compensation Committee and the Board, respectively, may decide not to pay any vested but unpaid incentive compensation (malus) or may seek to recover incentive compensation that has been paid in the past where the payout and/or personal conduct has been proven to conflict with applicable laws and regulations.

2.4. Equal pay analysis

Our Human Resources department regularly performs equal pay analyses and shares the results with the Nomination & Compensation Committee. In the course of the audit of the 2019 compensation report, KPMG acknowledged this analysis and took note of the results and the considerations presented to the Nomination & Compensation Committee.

The analysis is performed on the basis of a global job grading system, which classifies functions according to different dimensions such as responsibilities, experience, skills, leadership and regional differences. Based on these criteria, the analysis identified no pay gap between male and female professionals within similar grades and within the same geography.

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Exhibit 2: Group- and Executive Committee-level objectives & Board committee responsibilities

Group level	Objectives
Investment platform	• Achieve sustainable growth and scale of investment capacity • Create long-term value in portfolio assets
Financials	• Focus on sustainable growth • Balancing cost growth vs. revenue growth
Strategy implementation	• Successfully implement key strategic initiatives • Ensure business & ownership excellence across our platform and businesses
Leadership achievements	• Develop organizational effectiveness via an entrepreneurial leadership culture • Develop talented individuals who are committed to our purpose

ExCo[1)]-level	Objectives
Investments	• Achieve asset class-specific investment goals • Meet asset class-specific return targets • Establish best practices in corporate governance amongst portfolio assets
Clients	• Extend client coverage (regional and type of investors) • Best-in-class client coverage (incl. compliance) • Achieve fundraising goals (mandates, flagship programs and evergreen programs)
Services	• Maintain excellent investment service levels • Provide best-in-class client servicing • Contribute to our PRIMERA[2)] platform to the benefit of investments, clients & employees
Corporate	• Provide necessary corporate IT infrastructure landscape to ensure operational excellence • Maintain excellent compliance track record • Ensure framework for hiring, onboarding, developing and retaining of top talents
ESG/CSR	• Achieve our 20 by 2020 and 25 by 2025 diversity targets[3)] • Ensure at least 90% of employees are trained on ethics-related issues • Establish a deep-dive ESG engagement with every one of our lead direct investments

Executive Board-level	Objectives
Strategy Committee	• Drive the firm via the Board on major business, corporate and organizational initiatives • Guide human capital development, financial planning and use of financial resources
Investment Oversight Committee	• Ensure quality/consistency of decision making processes and investment performance • Implement investment-related quality standards and measurement methods
Client Oversight Committee	• Drive strategic fundraising initiatives and identify new key product & fundraising themes • Lead the coverage of the firm's key client prospects and global consultant network

1) Executive Committee.
2) PRIMERA is our proprietary private markets database.
3) 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 (see CSR report 2018/2019).

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3. Compensation components

The Nomination & Compensation Committee continues to strive for consistency in the firm's approach to compensation and has not changed the methodology used to determine the size of the compensation pools since last year. While the total short-term cash compensation is fixed and not linked to performance targets, the LTI compensation has a clear link to strategy and tangible targets.

In 2019, an amendment to the firm's LTI scheme was proposed and implemented, involving the replacement of one of the two payout components of the scheme. The component in question links the payout granted to executives to a combination of 1) outperformance against a benchmark index[4], and, 2) the performance fee development of a given vintage pool. The Committee replaced this component with restricted shares of Partners Group Holding via its Employee Participation Plan (EPP) as it believes that executive compensation should be more directly linked to achieving the objectives outlined by the firm ("pay-for-performance"). The payout component we have replaced represented half of the LTI grant value and only indirectly linked the pay of executives to the actual performance of the firm (via the share price development of a peer group). Restricted shares (EPP), as well as the remaining payout component, better incentivize the team to reach company-specific objectives.

Exhibit 3: Compensation components for the Executive Committee

Type of compensation			Instrument	Timing
Total cash compen-sation	Base salary & benefits		Cash	Short-term
	Deferred cash payment[1)]			
Long-term incen-tives	**Previously**	**Going forward**	Equity (share-based)	LTI
	Absolute MPP performance	Absolute MPP performance		
	Relative MPP performance	Restricted EPP shares		

1) Deferred cash compensation is awarded at year end. It is intended to be stable and predictable and only adjusted downwards in the case of significant underperformance of the firm or on individual level.

4 At the time, the Nomination & Compensation Committee believed that the S&P Listed Private Equity Index (Ticker: SPLPEQTY) was the closest industry benchmark and that it therefore represented the best proxy to measure Partners Group's relative performance within the private markets industry. The calculation of the intrinsic value of the 2017 and 2018 LTI grants after the initial grant (grant date + 5 years) related to absolute shareholder return as well as to a total return outperformance against the benchmark.

3.1. Total cash compensation

The total cash compensation is based on function and represents a stable compensation component. More specifically, it is based on an individual's role and level of responsibility for the upcoming year and is typically only adjusted with a change of role. The total cash compensation is equally spilt between a cash base salary and a fixed deferred cash payment.

Cash base salary & pension benefits: cash base salaries are paid on a monthly basis and reviewed annually. The primary purpose of benefits, such as pension and insurance plans, is to establish a level of security for employees and their dependents with regard to the major economic risks of sickness, accident, disability, death and retirement. The level and scope of pension and insurance benefits provided is country-specific and influenced by local market practice and regulations.

Deferred cash payment: the fixed deferred cash payment is awarded at year-end to the Executive Committee. The individual deferred cash payment set by our compensation framework is intended to be stable and predictable. The Nomination & Compensation Committee has the flexibility to adjust the fixed deferred cash compensation downwards (not upwards) in the rare case the firm or an individual committee member severely underperforms in the year under review. An adjustment could also be applied in exceptional cases, such as crisis years. Any such adjustment, and the reason for the adjustment, would be made transparent to shareholders. Executive Committee members are typically notified of their deferred cash payment at year-end and receive the cash the following February.

Exhibit 4: Total cash compensation for Executive Committee members in 2019
(in thousands)

Function	Cash base salary	Deferred cash payment	Total cash compensation
Co-CEO$_{CH}$	CHF 750	CHF 750	**CHF 1'500**
Co-CEO$_{USA}$	USD 750	USD 750	**USD 1'500**
Executive Committee member	CHF 500	CHF 500	**CHF 1'000**

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3.2. Long-term incentives (LTIs)

LTIs consist of two payout components, the Management Performance Plan (MPP) and the Employee Participation Plan (EPP). The Nomination & Compensation Committee believes that with increasing seniority, a larger part of an employee's total compensation consideration should be variable and tied to long vesting periods and even longer payout mechanisms. This is intended to ensure that the interests of senior leaders are strongly aligned with those of clients and shareholders and involve a focus on both sustainable financial performance and long-term investment success. Around one-third of the value of LTIs was granted in MPP and two-thirds in restricted shares (EPP).

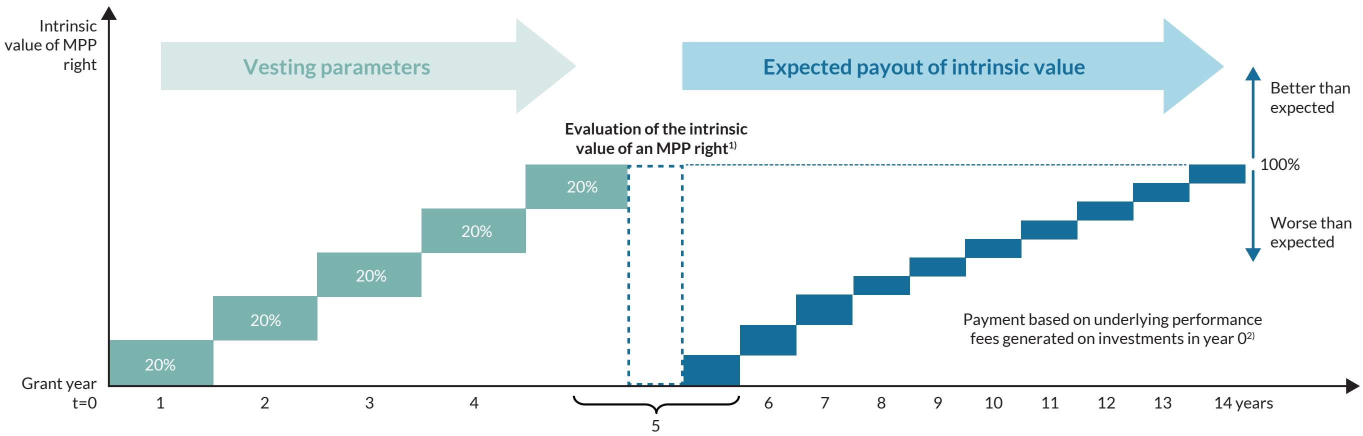
3.1.1 Management Performance Plan (MPP)

The MPP reinforces a strong alignment of interests with shareholders as it is dependent on the share price development over a five-year period. At the same time, the MPP ensures a strong alignment of interests with clients as it is dependent on the achievement of a performance fee target, which ultimately derives from active value generation and the realization of investment opportunities in underlying client portfolios.

The MPP requires recipients to have a long-term perspective, as it often takes up to 14 years until the full performance fee payouts from a particular investment year are received. Given the length of this period, we believe the MPP promotes a focus on sustainable value creation and avoids inappropriate risk-taking or short-term profit maximization at the expense of long-term return generation for our clients. The MPP's long vesting schedules and even longer payout periods are highlighted below (see Exhibit 5).

- **Vesting:** the MPP grants vest linearly over a period of five years. For members of the Executive Committee and executive members of the Board, the linear vesting is subject to a minimum five-year tenure in the respective committee.
- **Payout in restricted shares:** any MPP payout will be in Partners Group shares with a two-year selling and exercise restriction. It starts in year five and ends in year 14. The MPP payout can deviate from the intermediate intrinsic value calculated in year five as it ultimately depends on the actual investment performance achieved for clients. Superior value creation, above underlying ex ante defined model return targets, can increase the payout, whereas value creation below targets decreases the MPP payout. In the worst-case scenario of insufficient value creation, it can be zero.

Exhibit 5: Vesting and expected payout of the MPP, one of the firm's LTI payout components



1) The intrinsic value of MPP rights is determined after five years of the grant and relates to absolute shareholder return (net of dividends). Thereby, the intrinsic value of the 2019 MPP cannot exceed 10x the grant fair value. See detailed description in Appendix A.1.
2) The time period following the determination of the intrinsic value of MPP rights focuses entirely on how such value will be paid out in the following years (in the form of restricted Partners Group shares). Both magnitude and timing are dependent on the actual performance fees generated for the firm. See detailed description in Appendix A.1.

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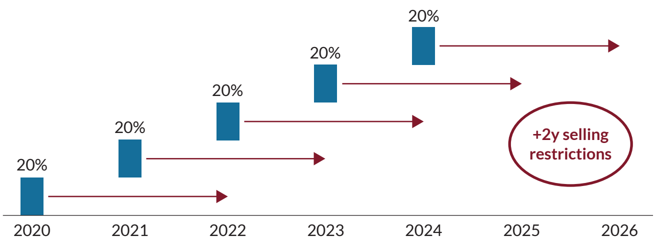
3.1.2 Employee Participation Plan (EPP)

Partners Group has a long-term history of granting equity incentives to all its professionals. These are awarded at year-end and aim to align all Partners Group employees' interests with those of external shareholders. As of 2019, the EPP was introduced as a new LTI component for Executive Committee members. The stringent EPP vesting and restriction parameters and payout mechanism are highlighted below:

- **Vesting:** the EPP grants vest linearly over a period of five years, contingent on continued employment with the firm.
- **Restriction:** any vested EPP to the Executive Committee has a two-year selling and exercise restriction. This selling and exercise restriction is intended to incentivize long-term sustainable value creation and profitability.

Exhibit 6: 2019 EPP vesting parameters (shares) for Executive Committee members



While the allocation of restricted shares de-risks the compensation profile due to the higher intrinsic value of these shares at grant, the Nomination & Compensation Committee mitigates any concerns around this by providing less upside potential through a lower allocation of Management Performance Plan rights (due to the option-like nature of MPP rights as opposed to restricted shares). Eligibility to receive restricted shares is subject to the same annual performance review process as all other parts of the LTI scheme (see section 2).

3.3. Further benefits provided disclosed according to "Ordinance against Excessive Compensation (OaEC)"

The OaEC requires board members of listed companies to disclose all benefits directly or indirectly provided to the Executive Committee and the Board of Directors, even if not related to compensation. As such, in relation to our firm-wide Employee Commitment Plan (ECP), we disclose any preferred terms granted to members of the Executive Committee and the Board for select investments in Partners Group programs.

The firm has a history of investing into its own investment programs alongside its clients (typically around 1% of the program's size) with its balance sheet. This aligns the interests of clients with those of the firm and its employees. For select direct investment programs, our institutional clients' expectations around the size of such investments increases.

In order to meet these expectations, Partners Group's Board has introduced the ECP to increase incentives for employees to provide more substantial commitments and align an even greater number of employees with clients. In line with industry practice, Partners Group offers its employees (including the Executive Committee and the Board of Directors) similar preferential terms & conditions to invest into its private markets programs, offering such investments at no management fees and no performance fees.

According to the OaEC, these discounted fees are subject to approval by shareholders. The Nomination & Compensation Committee discloses in this report all such discounted fees granted to the Executive Committee and members of the Board of Directors for investments made alongside investors in the firm's closed-ended investment programs (see Exhibit 10 for the Executive Committee or see Exhibit 13 for the Board of Directors).

3.4. Equity incentive plans have caused no dilution of number of shares for shareholders since the IPO

There has been no dilution of Partners Group's share capital since the IPO in March 2006, as the firm holds treasury shares to provide shares for existing equity incentive programs. Furthermore, the treasury shares necessary to cover the granted non-vested shares have already been purchased by the firm. Further information on Partners Group's share-based payment plan can be found in section 4 of the notes to the consolidated financial statements included in the 2019 Annual Report.

As of 31 December 2019, the Group had 1'560'494 options and non-vested shares outstanding (2018 1'484'142). The treasury shares necessary to cover the granted non-vested shares have already been put aside in separate escrow accounts in the name of the employees. Thus, the number of treasury shares is already net of non-vested shares outstanding. As of 31 December 2019, to cover the outstanding in-the-money options at the year-end share price of CHF 887.40 (2018: CHF 596.00), net (i.e. after considering the respective strike price) 291'045 treasury shares would be necessary (2018: 173'223). As of 31 December 2019, Partners Group held 278'645 treasury shares, corresponding to 1.04% of the total share capital.

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4. Executive Committee compensation 2019

4.1. Total cash compensation

The total cash compensation granted to the Executive Committee amounted to CHF 7.8 million in 2019 (2018: CHF 7.3 million, excluding former Executive Committee members in order to allow for a better like-for-like comparison). The total cash compensation granted to the Executive Committee slightly increased due to the increase in cash compensation granted to David Layton, who became Co-CEO as of 1 January 2019. In 2018, he earned a lower cash base salary compared to his Co-CEO colleague André Frei.

Exhibit 7: Development of total cash compensation (like-for-like) for the Executive Committee
(in CHF m)

Total short-term incentives	2018	2019	Deviation
Cash base salary	3.0	3.5	+15%
Deferred cash payments	3.7	3.5	-5%
Total cash compensation	**7.3**	**7.8**	**+6%**

Note: excludes 2018 compensation of Christoph Rubeli, former Co-CEO of Partners Group, who left the Executive Committee as of 31 December 2018.

4.2. LTIs

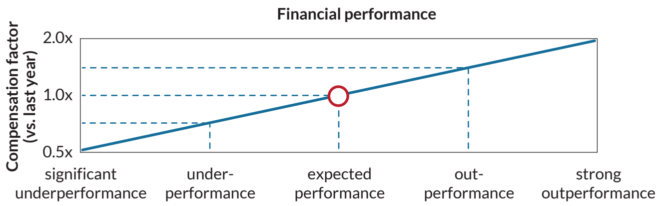
The Executive Committee was granted nominal LTI (EPP+MPP) amounting to CHF 16.5 million in 2019 (2018: CHF 16.5 million, excluding former Executive Committee members), representing no change from the previous year. Around two thirds of the value were granted in restricted shares (EPP) and around one third in MPP (see Exhibit 10).

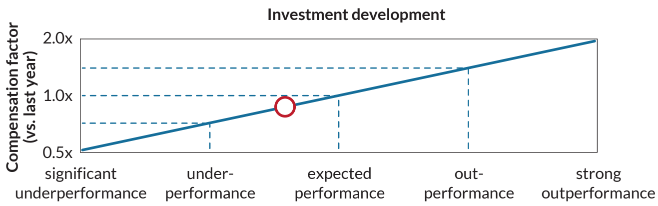
The **quantitative achievements** in 2019 resulted in both quantitative factors assessed to come in **slightly below 1.0x** (see Exhibit 8):

- **Financial performance 2019:** given that the financial performance **met expectations**, it resulted in a compensation factor of 1.0x. The management fee EBIT considered at the time by the Nomination & Compensation Committee grew by 10% (excluding a special compensation adjustment initiated by the Board). This achievement of the Executive Committee was in line with the original 2019 Board expectations of ~10%.

- **Investment development 2019:** investment development **modestly underperformed** expectations and therefore resulted in a compensation factor below 1.0x. The slight decrease was mainly due to the decrease in the firm's performance fee-weighted investment volume, by slightly more than 10%, compared to the previous year.

Exhibit 8: quantitative assessment 2019





The assessment of the **qualitative performance** considers performance metrics, such as strategy implementation and leadership achievements. As outlined below, the qualitative compensation factor came in **slightly above 1.0x** due to the strong leadership achievements of the Executive Committee.

- **The Executive Committee met expectations in strategy implementation:** among other achievements, the Executive Committee (1) built out our longer-term, business-oriented entrepreneurial governance approach (e.g. establishing a dedicated business unit and further developing our approach to Board excellence); (2) further built out the firm's Thematic Sourcing approach (e.g. establishing a dedicated research unit next to the Industry Value Creation team which builds strong conviction for select sub-sectors and enables us to remain more deliberate and disciplined in our sourcing efforts compared to a top-down approach; implementation of monthly Relative Value meetings for specific industry verticals); and (3) further developed the firm's next generation mandate solutions, allowing clients to strategically build up private markets exposure over the long term.

Compensation Report

- **The Executive Committee outperformed expectations in leadership achievements:** the Executive Committee initiated its "ownership excellence" program, which further strengthened organizational effectiveness across the entire firm. It also implemented operational excellence guidelines across almost all business units, increasing corporate effectiveness/efficiency with a focus on day-to-day operations and services. The Executive Committee further implemented leadership development programs for its mid-level leaders and key talents as well as a systematic approach to implementing organizational learnings based on a newly introduced PG Academy platform, a company-wide training platform. For example, systems and processes were improved and expanded to an increasing number of professionals globally. Training programs focused on compliance and business ethics matters were also enhanced in 2019.

Combining quantitative and qualitative factors

The Nomination & Compensation Committee concluded that the overall compensation factor for the full-year LTI allocation should be set at 1.0x. This means that the nominal amount of LTIs allocated in 2019 equals the amount allocated in 2018.

4.3. Co-CEO compensation

In 2019, the total cash compensation across the entire Executive Committee and the Co-CEOs is outlined in Exhibit 4. In 2019, the total compensation for the firm's Co-CEOs are as follows:

André Frei

André Frei earned a cash base salary amounting to CHF 0.75 million and a deferred cash payment of CHF 0.75 million. This brings his total cash compensation to CHF 1.50 million (2018: CHF 1.50 million).

The Nomination & Compensation Committee assessed the performance of André Frei based on his achievements of the Executive Committee-level objectives outlined in Exhibit 2. His results met expectations on all objectives and exceeded expectation on leadership achievements. His LTI grant therefore increased by 7% (CHF +0.25 million) to CHF 3.75 million (2018: CHF 3.50 million). This compares slightly favorably to the overall flat development of the entire LTI pool.

David Layton

David Layton receives his total cash compensation in USD. Expressed in CHF, he earned a cash base salary amounting to CHF 0.75 million and a deferred cash payment amounting to CHF 0.75 million. This brings his total cash compensation to CHF 1.49 million in 2019 (2018: CHF 1.25 million). He received a lower base compensation compared to André Frei in 2018 as he only became Co-CEO as of 1 January 2019.

David Layton's performance was also assessed based on his achievement of the Executive Committee-level objectives outlined in Exhibit 2. The results achieved under his direct leadership met the firm's expectations on all objectives. However, the results achieved on investment development were modestly below expectations. The investment development in 2019 resulted in somewhat lower performance fee-weighted investment volume in 2019 and impacted his LTI grant by 6% (CHF -0.25 million), which amounted in total to CHF 4.25 million (2018: CHF 4.50 million). This compares somewhat unfavorably to the overall flat development of the entire LTI pool.

4.4. Highest paid Executive Committee member

The highest paid Executive Committee member in 2019 was David Layton, who became Co-CEO as of 1 January 2019. He was awarded a total cash compensation of CHF 1.49 million (2018: CHF 1.25 million) and LTIs to the value of CHF 4.25 million (2018: CHF 4.50 million). The total compensation amounted to CHF 5.8 million in 2019 (2018: CHF 5.8 million). See Exhibit 10 for further details.

4.5. Compensation caps

The 2019 compensation for the Executive Committee did not exceed the firm's defined compensation caps. Compensation caps are calculated in relation to the cash base salaries of an individual member of the Executive Committee. The ratio between the Executive Committee members' deferred cash payment compared to their cash base salary was 1.0x in 2019 (cap = 3x). The ratio between the committee members' LTIs, compared to their cash base salary, ranged from 2.0x to 5.7x in 2019 (cap = 10x). These ratios exclude any other benefits (social security and pension contributions) and show the varying compensation levels among individuals based on their function, achievements and responsibility.

Compensation Report

4.6. Executive Committee loans (audited)

Executive Committee members may apply for loans and fixed advances, subject to an internal review and approval process. As of 31 December 2019, no loans were outstanding to either current or former Executive Committee members or to a related party of a current or former Executive Committee member.

4.7. Employee contracts (audited)

Employee contracts have no special provisions such as severance payments, "golden parachutes", reduced stock and/or options and MPP vesting periods etc. in place in case of the departure of an Executive Committee member. Individual settlements will always be subject to the review and approval of the Nomination & Compensation Committee. Partners Group did not make any such payments to current Executive Committee members in 2018 and 2019.

4.8. AGM 2020: Executive Committee compensation approvals

At the 2019 AGM of shareholders, the Nomination & Compensation Committee prospectively asked shareholders for the approval of one single compensation budget for the Executive Committee combining cash base salaries, deferred cash payments and LTIs. At the 2020 AGM of shareholders, the Board will ask shareholders to vote prospectively on the total cash compensation and retrospectively on the LTI allocations. The Nomination & Compensation Committee believes this will allow shareholders to better evaluate the link between pay and performance. The Board will ask shareholders at their annual meeting for their approval of the following proposals below.[5]

- The Board of Directors applies for the **retrospective approval of an LTI compensation**[6] of CHF 16.5 million for the Executive Committee for the 2019 fiscal year (2018: CHF 20 million in total or CHF 16.5 million, excluding a former Executive Committee member[7]).
- The Board of Directors applies for the **prospective approval of a maximum total cash compensation**[8] of CHF 7.5 million for the Executive Committee for the 2021 fiscal year.

5 The final proposals will be outlined in the invitation sent to shareholders for the AGM to be held on 13 May 2020.
6 Excludes social security payments; includes Employee Participation Plan (EPP) amounting to CHF 10.9 million and Management Performance Plan (MPP) amounting to CHF 5.6 million.
7 Excludes the 2018 compensation of Christoph Rubeli, former Co-CEO of Partners Group, who left the Executive Committee as of 31 December 2018.
8 Includes cash base salary, pensions, other benefits, a deferred cash payment and a technical non-financial income but excludes social security payments. See also Partners Group's Article of Association Art. 37, 6. If new members of the executive management are appointed and take up their position with the Company after the annual shareholders' meeting has approved the maximal total compensation to the members of the executive management for the fiscal year concerned, these newly appointed members of the executive management may be paid an additional amount for compensation periods that had already been approved by the shareholders' meeting. This additional amount may, in aggregate for all newly appointed members of the executive management, not exceed 40% of the total compensation to the members of the executive management already approved by the shareholders' meeting. This additional total compensation is deemed to include indemnification received to compensate for disadvantages caused by the change of employment, as the case may be.

Compensation Report

Exhibit 9: Composition of the Executive Committee 2019 and functions of its members

Name	Joined Partners Group in	Nationality	Age	Position
André Frei	2000	Swiss	44	Co-Chief Executive Officer
David Layton	2005	American	38	Co-Chief Executive Officer and Head Private Equity
Juri Jenkner	2004	German	44	Head Private Infrastructure
Andreas Knecht	2009	Swiss	50	Chief Operating Officer and General Counsel
Marlis Morin	2003	Swiss/Italian	49	Head Client Services
Dr. Michael Studer	2001	Swiss	47	Chief Risk Officer and Head Portfolio Solutions

Exhibit 10: Executive Committee compensation for the full-year 2019 (audited)

In thousands of Swiss francs							2019
	Cash base salary	Deferred cash payment	Other[1]	Subtotal cash compensation	LTI (EPP)	LTI (MPP)[2]	Total[3), 4)]
André Frei, Co-Chief Executive Officer	750	750	271	1'771	2'500	1'250	5'521
David Layton, Co-Chief Executive Officer and Head Private Equity	745	745	58	1'548	2'751	1'500	5'799
Total Executive Committee	**3'495**	**3'495**	**1'081**	**8'071**	**10'903**	**5'600**	**24'574**

1) Other compensation includes payments by Partners Group for pension and other benefits such as social security payments.

2) Fair value of Management Performance Plan (MPP) as outlined in Appendix A.1.

3) Figures above exclude discounted fees for investments made alongside investors in Partners Group's investment programs under the firm's Employee Commitment Program. Including these accrued but not yet paid items the total compensation for the entire Executive Committee amounts to CHF 24'584 thousand, including CHF 10 thousand for discounted fees. The total compensation of André Frei and David Layton amounts to CHF 5'526 thousand (including CHF 5 thousand of discounted fees) and CHF 5'799 thousand (including CHF 0 thousand of discounted fees), respectively.

4) Total compensation of the Executive Committee, excluding LTIs and social security costs represents CHF 7.1 million and lies within the approved compensation budget of CHF 7.5 million at the 2019 AGM of shareholders in May.

Exhibit 11: Executive Committee compensation for the full-year 2018 (audited)

In thousands of Swiss francs							2018
	Cash base salary	Deferred cash payment	Other[1]	Subtotal cash compensation	LTI (EPP)	LTI (MPP)[2]	Total
André Frei, Co-Chief Executive Officer	650	850	134	1'634	-	3'500	5'134
David Layton, Co-Chief Executive Officer and Head Private Equity[3]	489	734	55	1'278	-	4'500	5'778
Total Executive Committee	**3'039**	**3'684**	**586**	**7'309**	**-**	**16'500**	**23'809**
Christoph Rubeli, Co-Chief Executive Officer[4]	650	850	61	1'561	-	3'500	5'061
Total Executive Committee incl. former members	**3'689**	**4'534**	**647**	**8'870**	**-**	**20'000**	**28'870**

1) Other compensation includes payments by Partners Group for pension and other benefits such as social security payments.

2) Fair value of Management Performance Plan (MPP) as outlined in Appendix A.1.

3) Effective from 1 January 2019, David Layton, Partner and Head Private Equity, succeeded Christoph Rubeli as Co-Chief Executive Officer.

4) Member until 31 December 2018.

Compensation Report

5. Board compensation 2019

The Board consists of nine members, of whom five are classified as independent and four as executive members, and has the goal to build a sustainable, entrepreneurial business over the long term for the benefit of its clients, employees and shareholders. The Board thereby applies the same approach to the firm's governance as it does to the management of its portfolio companies, valuing a long-term approach when it comes to individual board- and management-led value creation projects.

Beyond their statutory duties and supervisory and risk management tasks, Board members contribute to Partners Group's growth and development by supporting the analysis of investment opportunities, networking with senior business leaders on behalf of the firm, working alongside client teams on business development and major client relationships, and actively contributing to the firm's corporate and cultural development.

5.1. Review of compensation framework 2019

The Board sets the compensation for its members at a level that reflects individual responsibility and contribution, as well as time allocated to the Board mandate. The remuneration of the **executive members of the Board** was set as follows:

- **Cash base salary:** the cash base salary is fixed at CHF 0.30 million p.a.
- **LTIs:** Our approach to the compensation of executive members of the Board is similar to that of the Executive Committee. We determined the overall LTI pool by looking at quantitative and qualitative criteria. We then determined the individual LTI allocation based on performance relative to assignments and committee roles.
  For the 2019 compensation, the combination of quantitative and qualitative assessment led to a compensation factor of 1.00x, based also on a moderate underperformance on performance fee-weighted investment volumes and an outperformance on leadership and strategic direction (e.g. driving "ownership excellence" programs, fostering the firm's approach to entrepreneurial governance across portfolio companies). As such, the overall amount of the LTI pool for executive members of the Board was similar to the amount granted in 2018. Also individual LTI grants were set at the level of the previous year based on the achieved objectives of the executive Board members.
  Due to their already significant shareholding in the firm, executive members of the Board were granted their LTI entirely in MPP rights.

In 2019, the Board amended the compensation framework for **independent Board members** and proposed a more detailed module-based approach to compensation. This will largely be determined by the business assignments carried out and the time each member allocates to Board committee responsibilities and their additional contribution to the firm's business beyond their committee responsibilities. The compensation framework for independent Board members is outlined in the table below. Independent Board members are each paid 50% in cash and 50% in (restricted) options delivered in one installment in the current board period. They did not receive any LTI and pension benefits.

Exhibit 12: Compensation framework for independent Board members

	Description	Time allocation/ remuneration
Board membership	Regular Board work, including offsites, client AGM and other Board-related work.	**Est. time allocation:** ~10+% **Compensation:** CHF 0.10 million
Chair/ member* (NCC, IOC, COC) **Member** (RAC, SC)	Additional Board meetings together with preparation of meeting materials, additional meetings and regular calls as well as team interaction.	**Est. time allocation:** ~5+% **Compensation:** CHF +0.05 million (for each assignment)
Chair (RAC)	Official RAC meetings and ~10+ (mainly internal) meetings and international traveling	**Est. time allocation:** ~10+% **Compensation:** CHF +0.10 million
Special assignments	Value creation and other PG-related initiatives	**Compensation:** CHF +0.10 million (for each additional ~10%)

*The Strategy Committee (SC) and the Client Oversight Committee (COC) are not expected to be led by Independent Board members.

Consistent with industry standards, Board members may also invest into Partners Group investment programs on a no management fee and no performance fee basis. Any such discounted fees granted to members of the Board of Directors for investments made alongside investors in the firm's closed-ended investment programs will be disclosed in the compensation report (see section 3.3).

Compensation Report

5.2. Executive Chairman of the Board

The Chairman's role requires a substantial commitment concerning time and involvement. Under the leadership of the Executive Chairman **Steffen Meister**, the Board determines, among other things, the strategy of the firm and exercises ultimate supervision over management. The Chairman has a focus on strategic projects and drives forward business and corporate development (through his engagement as chair of the Strategy Committee). Moreover, he is actively involved in the development of client-related initiatives (through his seat on the Client Oversight Committee). He is, together with the Executive Committee, responsible for the development of the next generation of leaders and serves as a coach for the Executive Committee. The Chairman also is a member of the board of directors of the firm's portfolio company Hearthside Food Solutions and takes an active role in representing the firm vis-à-vis regulators, key shareholders, investors, and other important external stakeholders.

The Chairman is paid an annual base Board fee of CHF 0.30 million (2018: CHF 0.30 million). He was assessed by the Nomination & Compensation Committee and met his Board-level performance objectives outlined in Exhibit 2. Based on his achievements in 2019, he received the same compensation factor as the Executive Committee (1.0x). The Chairman therefore was granted LTIs amounting to CHF 1.50 million (2018: CHF 1.50 million), entirely granted in MPP. This brings his total compensation to CHF 1.9 million (including pension benefits as outlined in Exhibit 13).

5.3. Executive members of the Board

There are an additional three executive members of the Board, **Dr. Marcel Erni** and Messrs. **Alfred Gantner** and **Urs Wietlisbach**, who are significant shareholders of the firm. Each is a founding partner of the firm and dedicates a substantial amount of his time to the firm. Each of them also plays an instrumental role in determining the firm's business and corporate strategy (via the Strategy Committee), in assessing the quality and consistency of decision processes, the investment performance achieved, the realization of the projected appreciation on individual investments, and the investment risks incurred (via the Investment Oversight Committee), and/or in driving forward major client relationships (via the Client Oversight Committee). All executive members of the Board hold various boards seats in Partners Group's lead/joint-lead portfolio companies.

The Nomination & Compensation Committee assesses their contribution to each Board-level committee throughout the year. Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach were each awarded an annual base Board fee of CHF 0.30 million (2018: CHF 0.30 million). With regards to their LTI allocation, each member met the expectations of the Nomination & Compensation Committee on all Board committees and were each awarded an LTI grant of CHF 1.00 million (2018: CHF 1.00 million), entirely granted in MPP. This brings their total compensation to CHF 1.4 million (including pension benefits as outlined in Exhibit 13).

5.4. Independent members of the Board

The independent Board members who focus on their Board- and committee-related mandates at Partners Group are **Grace del Rosario-Castaño, Michelle Felman, Dr. Martin Strobel, Dr. Eric Strutz** and **Patrik Ward**. Independent Board members spend a significant amount of time contributing to several strategic board-level initiatives. They have many formal and informal interactions with management and employees across the firm on an extensive range of matters and projects (e.g. key strategic growth projects, key client-related matters, legal, compliance, audit, promotion considerations, leadership development etc.). Independent Board members are each paid 50% in cash and 50% in (restricted) options and do not receive any LTIs or pension benefits. Select independent Board members hold boards seats in Partners Group's lead/joint-lead portfolio companies (see detailed overview in Partners Group's Corporate Governance Report 2019).

Dr. Eric Strutz acted as Vice Chairman and Lead Independent Director and was paid an annual base Board fee of CHF 0.10 million. He additionally received CHF 0.10 million for chairing the Risk & Audit Committee. This brings his total compensation to CHF 0.21 million (including base fee and other compensation as outlined in Exhibit 13).

Grace del Rosario-Castaño was paid an annual base Board fee of CHF 0.10 million. She additionally received CHF 0.05 million for chairing the Nomination & Compensation Committee and CHF 0.05 million for being a member of the Investment Oversight Committee. Furthermore, she was entitled to CHF 0.05 million (~5% additional time allocation) for her special leadership and corporate development assignments in Asia, in particular in the firm's main offices in Manila and Singapore, and her work on the local board of Partners Group's Manila entity. This brings her total compensation to CHF 0.26 million (including base fee and other compensation as outlined in Exhibit 13).

Compensation Report

Michelle Felman was paid an annual base Board fee of CHF 0.10 million. She additionally received CHF 0.05 million for chairing the Investment Oversight Committee and CHF 0. 05 million each for being a member of the Nomination & Compensation Committee and the Risk & Audit Committee. This brings her total compensation to CHF 0.26 million (including base fee and other compensation as outlined in Exhibit 13).

Dr. Martin Strobel was paid an annual base Board fee of CHF 0.10 million. He additionally received CHF 0.05 million for being a member of the Strategy Committee, CHF 0.05 million for his contribution in the Risk & Audit Committee and CHF 0.05 million for being a member of the Nomination & Compensation Committee. Furthermore, he devoted ~10% additional time to Partners Group providing guidance on operational excellence matters globally. In this special assignment, Martin Strobel advises, amongst others, the Technology Steering Committee and the firm's "operational excellence" program. He received another CHF 0.10 million for this special assignment. This brings his total compensation to CHF 0.36 million (including base fee and other compensation as outlined in Exhibit 13).

Patrick Ward was paid an annual base Board fee of CHF 0.10 million. He additionally received CHF 0.05 million for being a member of the Client Oversight Committee. Further, he supported the firm with a special assignment by driving forward the corporate development in the UK and building out client relationships in the UK and Middle East in his capacity as Chairman UK and Middle East. He received CHF 0.30 million for this assignment (~30% additional time allocation). He was also entitled to CHF 0.10 million for his special assignment on the local board of Partners Group's UK entity (~10% additional time allocation). This brings his total compensation to CHF 0.57 million (including base fee and other compensation as outlined in Exhibit 13).

5.5. Comply or explain: options as part of Board fees for independent directors

Long-term option plans with a five-year selling and exercise restriction

Independent Board members receive a part of their compensation in long-term options. Given the fact that independent Board members are elected on a yearly basis, the options vest at grant date but have a five-year selling and exercise restriction. The long-term nature of annual grants serves as a guarantee that no speculative orientation arises from the incentive system.

Because of this five-year selling and exercise restriction and the fact that grants are made annually, the Nomination & Compensation Committee fundamentally believes that this does not incentivize any asymmetric short- or mid-term decision making for independent Board members in any given year. Neither does it hinder their independent judgement, nor incentivize behaviors that could inhibit the long-term sustainability and success of Partners Group.

Speculative decision-making should not be rewarded

The Nomination & Compensation Committee favors this plan over a traditional (restricted) stock allocation, as it fundamentally believes that speculative decision-making that destructs long-term shareholder value should not be rewarded. With a traditional stock allocation, unlike shareholders who have to buy shares in the market and who would lose money if the share price performs negatively, Board members who are awarded shares for a service, which is expected to always have a positive value, would be paid even if the stock underperforms.

Conversely, if independent Board members are paid in stock-options, in the best-case scenario – and in line with the interests of shareholders – they participate disproportionately in any share price increase. However, there is also a risk that they never receive any payout from their rights; if the share price remains below the options' strike price, their payoff is zero. In our entrepreneurial environment, this asymmetric payout structure is desired and has proven to be successful.

Compensation Report

Industry context

In line with best practice in the private markets industry, we expect all of our portfolio company directors to actively participate in developing value-enhancing strategies. True to the predominant view in private equity that there must be meaningful downside risk as well a meaningful upside potential, independent members of the Board are typically expected to invest a relevant portion of their own net worth into the company alongside the private equity programs. In order to encourage engagement in value creation, incentive schemes may allow for significant upside through options – but only if independent Board members materially share the downside risk.

While it is not possible to fully match the private markets approach in a public markets context, the Nomination & Compensation Committee wishes to benefit directionally from this model, which has proven to be efficient, effective and a means to reward success since Partners Group's foundation as a private markets investment manager.

5.6. Loans to the Board (audited)

Members of the Board may apply for loans and fixed advances, subject to an internal review and approval process. Loans are made on substantially the same terms as those granted to other employees. As of 31 December 2019, no loans were outstanding to either current or former Board members or to a related party of a current or former Board member.

5.7. Board contracts (audited)

Contracts with members of the Board have no special provisions such as severance payments, "golden parachutes", reduced stock and/or options and MPP vesting periods etc. in place in case of the departure of a Board member. Partners Group did not make any such payments to current members of the Board in 2018 and 2019.

5.8. AGM 2020: Board compensation approvals

The Board will ask shareholders at their annual meeting for their approval of the following proposals below.[9]

- The Board of Directors applies for the **retrospective approval of an LTI compensation**[10] of CHF 4.50 million for the Board of Directors for the period from the annual shareholders' meeting in 2019 until the annual shareholders' meeting in 2020 (previous period: CHF 4.50 million).
- The Board of Directors applies for the **retrospective approval of a total technical non-financial income** of CHF 5.69 million stemming from preferential terms under the firm's global employee commitment plan for the Board of Directors for the period from the annual shareholders' meeting in 2019 until the annual shareholders' meeting in 2020 (previous period: CHF 0.00 million). The non-financial benefits stemming from these preferential terms are explained in detail in section 3.3.
- The Board of Directors applies for the **prospective approval of a maximum total compensation (excluding LTI)**[11] of CHF 3.00 million for the Board of Directors for the period until the next annual shareholders' meeting in 2021.

9 The final proposals will be outlined in the invitation sent to shareholders for the AGM to be held on 13 May 2020.
10 Excludes social security payments; includes only Management Performance Plan (MPP) amounting to CHF 4.5 million.
11 Excludes social security payments; includes cash base salary, pensions and other benefits.

Compensation Report

Exhibit 13: Board compensation for the full-year 2019 (audited)

In thousands of Swiss francs						2019
	Cash	Other[1)]	Subtotal cash compensation	Shares / options	LTI (MPP)[3)]	Total[5), 7)]
Steffen Meister, Executive Chairman	300	55	355	-	1'500	1'855
Dr. Eric Strutz, Vice Chairman	100	8	108	100[4)]	-	208
Dr. Marcel Erni	300	55	355	-	1'000	1'355
Michelle Felman	125	10	135	125[4)]	-	260
Alfred Gantner	300	65	365	-	1'000	1'365
Grace del Rosario-Castaño	125	10	135	125[4)]	-	260
Dr. Martin Strobel	175	14	189	175[4)]	-	364
Patrick Ward	275	20	295	275[4)]	-	570
Urs Wietlisbach	300	61	361	-	1'000	1'361
Total Board of Directors	**2'000**	**298**	**2'298**	**800**	**4'500**	**7'598**
Dr. Charles Dallara, former member[6)]	195	89	284	84[2)]	-	368
Dr. Peter Wuffli, former member[6)]	75	6	81	-	-	81
Total Board of Directors incl. former members	**2'270**	**393**	**2'663**	**884**	**4'500**	**8'047**

1) Other compensation: other compensation includes payments by Partners Group for pension and other benefits. In particular, the following Board members received pension benefits: Dr. Marcel Erni, Alfred Gantner, Steffen Meister und Urs Wietlisbach. Patrick Ward received UK national insurance payments amounting to CHF 7'246. The remaining payments to the following members of the Board exclusively represent social security costs in relation to their compensation: Michelle Felman, Grace del Rosario-Castano, Dr. Martin Strobel, Dr. Eric Strutz and Patrick Ward.

2) Shares: Dr. Charles Dallara was allocated 115 PGH shares in the value of CHF 732 per share on 15 May 2019.

3) Fair value of Management Performance Plan (MPP) as outlined in section A.1.

4) Options: each option has a strike price of CHF 807.60 and vests immediately. The selling restricting is 5 years. The number of options allocated to each Board member is as follows: Michelle Felman (3'264 options), Grace del Rosario-Castano (3'264 options), Eric Strutz (2'611 options) Dr. Martin Strobel (4'570 options) and Patrick Ward (7'181 options). For further information on the fair value of options and shares granted in 2019, please see consolidated financial statement under 4.3.

5) Figures above exclude discounted fees for investments made alongside investors in Partners Group's investment programs under the firm's Employee Commitment Program. Including these accrued but not yet paid items the total compensation for the entire Board of Directors amounts to CHF 13'734 thousand, including CHF 5'687 thousand for discounted fees. The total fee discounts received by the Board of Directors are listed below:
- Steffen Meister received a technical non-financial income stemming from fee discounts amounting to CHF 34 thousand
- Dr. Marcel Erni received a technical non-financial income stemming from fee discounts amounting to CHF 1'568 thousand
- Alfred Gantner received a technical non-financial income stemming from fee discounts amounting to CHF 2'511 thousand
- Grace del Rosario-Castaño received a technical non-financial income stemming from fee discounts amounting to CHF 0.5 thousand
- Dr. Martin Strobel received a technical non-financial income stemming from fee discounts amounting to CHF 2 thousand
- Urs Wietlisbach received a technical non-financial income stemming from fee discounts amounting to CHF 1'555 thousand
- Dr. Peter Wuffli received a technical non-financial income stemming from fee discounts amounting to CHF 16 thousand

6) Board member until the Annual General Meeting of shareholders on 15 May 2019.

7) Total compensation of the Board, excluding LTIs and social security costs represents CHF 3.0 million and lies within the approved compensation budget of CHF 3.25 million at the 2019 AGM of shareholders in May.

Compensation Report

Exhibit 14: Board compensation for the full-year 2018 (audited)

In thousands of Swiss francs							2018
	Base salary (cash)	Other[1)]	Deferred cash	Subtotal short term	Options/ shares	LTI (MPP)[4)]	Total[5)]
Steffen Meister, Executive Chairman	300	56	-	356	-	1'500	1'856
Dr. Peter Wuffli, Vice Chairman	150	10	-	160	150[3)]	-	311
Dr. Charles Dallara	294	36	220	550	225[2)]	-	775
Dr. Marcel Erni	300	57	-	357	-	1'000	1'357
Michelle Felman	75	6	-	81	75[3)]	-	156
Alfred Gantner	300	69	-	369	-	1'000	1'369
Grace del Rosario-Castaño	75	6	-	81	75[3)]	-	156
Dr. Eric Strutz	75	6	-	81	75[3)]	-	156
Patrick Ward	300	23	-	323	250[3)]	-	573
Urs Wietlisbach	300	64	-	364	-	1'000	1'364
Total Board of Directors	**2'169**	**334**	**220**	**2'723**	**850**	**4'500**	**8'073**

1) Other compensation: other compensation includes payments by Partners Group for pension and other benefits. In particular, the following Board members received pension benefits: Dr. Marcel Erni, Alfred Gantner, Steffen Meister und Urs Wietlisbach. Dr. Charles Dallara received US health insurance payments amounting to CHF 29 thousand and Patrick Ward received UK national insurance payments amounting to CHF 7 thousand. The remaining payments to the following members of the Board exclusively represent social security costs in relation to their compensation: Dr. Charles Dallara, Michelle Felman, Grace del Rosario-Castano, Eric Strutz, Patrick Ward and Dr. Peter Wuffli.

2) Shares: Dr. Charles Dallara was allocated 337 PGH shares in the value of CHF 668.50 per share.

3) Options: each option has a strike price of CHF 800 and vests immediately. The selling restricting is 5 years. The number of options allocated to each Board member is as follows: Michelle Felman (2'219 options), Grace del Rosario-Castano (2'219 options), Eric Strutz (2'219 options), Patrick Ward (7'395 options) and Dr. Peter Wuffli (4'437 options). For further information on the fair value of options and shares granted in 2018, please see consolidated financial statement under 4.3.

4) Fair value of Management Performance Plan (MPP) as outlined in section A.1.

5) Total compensation of the Board, excluding social security costs represents CHF 7.9 million and lies within the approved compensation budget at the 2018 AGM of shareholders in May.

6. Appendix

A.1. LTIs

2019 changes to the MPP

In 2019, the Nomination & Compensation Committee has implemented adjustments to its parameters to further simplify the pay-for-performance link by aligning it more strongly to the development of the share price:

- **Previously (100% of LTI pool):** the entire LTI pool was allocated via two kinds of MPP rights. One was measured based on an increase of the share price over a period of five years (50% of the grant value) and the other on a relative outperformance over a benchmark index[12] over a period of five years (50% of the grant value). The payout depends on the actual performance fees generated from the particular year in which MPP rights were granted.
- **Going forward (100% of LTI pool):** going forward, the intrinsic value of MPP will only be measured based on an increase of the share price over a period of five years. The payout remains dependent on the actual performance fees that the firm generated from the particular year in which MPP rights were granted. MPP will no longer be measured on a relative outperformance over a benchmark index. The relative outperformance right was replaced by restricted shares. Around two thirds of the LTI grant value was granted in restricted shares and around one third in MPP rights.

The MPP

The MPP consists of a performance right (component 1), which focuses on the firm's share performance, and a performance fee component (component 2), which focuses on active value creation in the firm's underlying investment programs. Achieving only one component while not the other results in no payout. Any payout will be in a number of restricted Partners Group shares in the value of the respective payout.

Component 1: share price development (year 1 to 5)

As a public firm, we aim to provide superior and sustainable total shareholder return and ensure that senior executives place an emphasis on positive share price development over the mid- to long-term. We therefore link component 1 of the MPP to a positive development of the share price of Partners Group Holding AG (i.e. price return on PGHN). A negative development of the share price results in no payout.

12 At the time, the Nomination & Compensation Committee believed that the S&P Listed Private Equity Index (Ticker: SPLPEQTY) was the closest industry benchmark and that it therefore represented the best proxy to measure Partners Group's relative performance within the private markets industry. The calculation of the intrinsic value of the 2017 and 2018 LTI grants after the initial grant (grant date + 5 years) related to absolute shareholder return as well as to a total return outperformance against the benchmark.

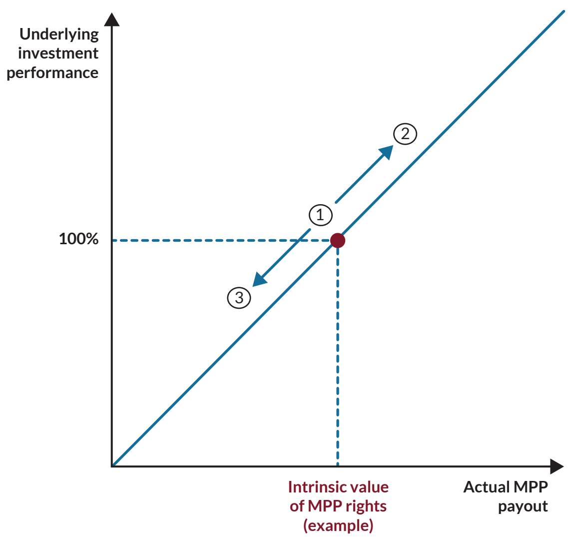
The intrinsic value of these MPP rights will be measured five years after the grant date and cannot exceed 10x the grant fair value. We believe that measuring performance over an extended five-year period is consistent with the long-term orientation of the firm's business.

Component 2: performance fee achievement (year 5 to 14)

While component 1 focuses on the price return of the share in order to determine an intrinsic value, component 2 focuses entirely on how the intrinsic value will be paid out in the following years (in the form of restricted Partners Group shares). In other words, component 2 sets the framework for the magnitude and timing of the payout. Both magnitude and timing are dependent on the actual performance fees that the firm generated from the particular year in which MPP rights were granted.

- **Magnitude:** the magnitude depends on the actual performance fees that the firm is able to generate from its 2019 investment vintage throughout the next 15 years. For that purpose, the firm defines a target that is based on ex ante model returns. This target is set at 100% and needs to be achieved over a time period of 15 years ("1" in Exhibit 15). For example, if the intrinsic value of MPP rights is 100 and 100% of the expected performance fees are actually paid to the firm, the plan participant receives Partners Group shares in the value of 100. The total payout can be higher than the originally expected nominal amount in the case of consistent investment performance above underlying assumptions ("2" in Exhibit 15), or lower than the originally anticipated nominal amount in the case of lower investment performance ("3" in Exhibit 15). In the worst-case scenario, the amount can be zero, irrespective of the intrinsic value determined through component 1.

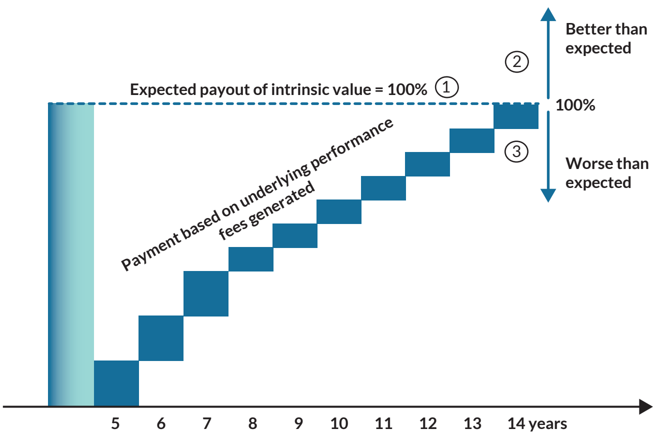
Exhibit 15: Illustration of actual MPP payout based on underlying investment performance



Compensation Report

- **Timing:** the MPP payout occurs as the performance fees of the underlying investment vintage materialize, as illustrated in Exhibit 16. After each year, we compare the actual proportion of performance fees generated against the defined target. We then pay out the same proportion of the intrinsic value of the MPP grant in the form of restricted shares. For example, should the 2019 investment year pay out 15% of its anticipated total payout (100%) in 2024, we would pay out 15% of the intrinsic value of MPP rights determined in component 1 to plan participants in the form of restricted Partners Group shares in 2024.

Exhibit 16: Illustration of actual MPP payout based on underlying investment performance



Vesting parameters

The MPP grants vest linearly over a period of five years. For members of the Executive Committee and executive members of the Board, the linear vesting is subject to a minimum five-year tenure in the respective committee. Before that, it has a five-year cliff vesting attached.

Vesting rules in case of retirement

Given that the firm aims to foster a performance-oriented work environment, senior employees of the firm receive the majority of their compensation in LTIs with long vesting periods. This is also the case for employees nearing their retirement. This can result in senior employees entering their retirement with a meaningful portion of unvested LTIs.

In order to ensure that senior employees continue to contribute to the firm's success until their retirement, the Nomination & Compensation Committee has established special vesting rules for senior employees heading towards their retirement.

At the time of retirement, all LTIs for Executive Committee members and executive members of the Board shall be deemed to have fully vested and become unrestricted, provided that the employee has reached the age of 55 and has served the firm for ten years or more as a Managing Director/Partner.

The vesting relief is subject to the following conditions: the employee is considered a good leaver, agrees to sign a two-year non-compete agreement and will have no new principal employment in the private markets industry.

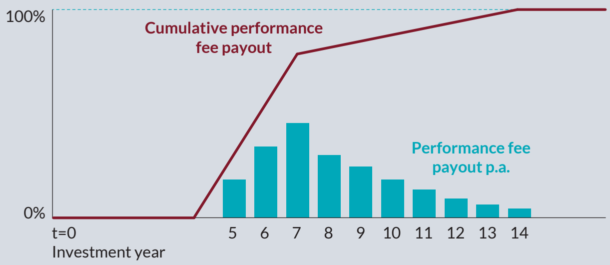
The Nomination & Compensation Committee may use its discretion to make further adjustments to the rules outlined above on a case-by-case basis in order to achieve the best result for both the business and the employee coming up to retirement.

Illustrative example: performance fee payout structure for the 2019 investment year

Future potential performance fees will depend on investments made between Q4 2018 and Q3 2019 ("2019 investment year"). Once profitable investments have been realized, cash is first distributed to the investors in our investment programs.

Only once the hurdle rate that was agreed with the firm's clients has been cleared (i.e. the client has already achieved a certain predefined minimum return, typically 8% p.a.) will a part of the investment profits be distributed to the firm (in the form of performance fees). Depending on the investment outcomes and timing of the investment realizations, it often takes up to 14 years until the full payout of performance fees is received, as illustrated in Exhibit 17.

Exhibit 17: Possible payout pattern of performance fees under MPP



Compensation Report

A.2. Compensation governance

Legal framework

The Swiss Code of Obligations as well as the Corporate Governance Guidelines of the SIX Swiss Exchange require listed companies to disclose information about the compensation of members of the Board and Executive Committee, their equity participation in the firm and any loans made to them. This Annual Report fulfills that requirement. In addition, this Annual Report is in line with the principles of the Swiss Code of Best Practice for Corporate Governance of the Swiss Business Federation (economiesuisse).

Compensation decision-making authorities

Compensation allocation is an important and challenging governance and leadership task. As such, Partners Group's Board assigns the Nomination & Compensation Committee with the task of carrying out a systematic process on an annual basis. The Committee has combined responsibilities for "nomination" and "compensation" proposals, as both are an integral and closely linked part of a typical compensation consideration.

The nomination process ensures the assessment and nomination of individuals is based on their contribution to the firm's success and on their potential for development, while the compensation process ensures the respective adjustments to compensation based on functions, responsibilities and performance. Giving one committee responsibility for both the nomination and compensation processes should ensure a seamless transition between a professional's development and compensation.

The Nomination & Compensation Committee fulfills the duties set out for it in the firm's articles of association. In particular, the committee oversees the firm's compensation structure to ensure adherence to Partners Group's strategy and culture and to recognized best practices:

- It reviews compensation proposals by the Executive Committee to ensure they comply with determined principles and performance criteria and evaluates the proposals' consistency with the firm's values, such as "fair pay" and "pay for performance."
- It advises and supports the Board and the Executive Committee with regard to firm-wide promotions, leadership development measures and succession planning.
- It submits nomination and compensation motions and recommendations to the Board and is also responsible for the preparation of this Compensation Report.

Committee members

As of 31 December 2019, the members of the Nomination & Compensation Committee were Grace del Rosario-Castaño (Chair), Michelle Felman and Dr. Martin Strobel. According to the independence criteria outlined in our Corporate Governance Report (section 3), Grace del Rosario-Castaño, Michelle Felman and Dr. Martin Strobel are independent Board members. The members were elected by shareholders for a one-year term with the possibility of re-election.

Committee meetings & decisions taken

Throughout the year, members of the Nomination & Compensation Committee interact with the Chairman, the Co-CEOs and other members of the Executive Committee on a regular basis. Throughout 2019, formal and informal meetings were held with a wide group of the firm's senior leaders to discuss compensation budgets, department bonus allocation plans, promotion criteria and other compensation-related topics.

Typically, the Nomination & Compensation Committee interacts via several informal meetings throughout the year and holds two decision meetings in the second half of the year:

- In its first decision meeting (Q3), the Nomination & Compensation Committee confirms the budget allocations for short term cash payments and LTIs (MPP and EPP). During the meeting, the committee defines guidelines for the allocation of the various compensation pools.
- In its second decision meeting (Q4), the Nomination & Compensation Committee approves the compensation proposal for the Executive Committee and Global Executive Board members and proposes the compensation for the Co-CEOs and Board members. Compensation authorities are outlined in Exhibit 18. Partner- and Managing Director-level promotions and compensation are ratified individually.

A.3. Review: binding budgets 2014-2018 vs. actual payouts

With the introduction of the Ordinance against Excessive Compensation in listed joint stock companies ("OaEC") of the Swiss Federal council, shareholders can express a binding vote on the compensation of the Board of Directors and Executive Committee as of the financial year 2014 onwards. As of 31 December 2019, the actual payout to current and former executive Committee member or to executive members of the Board has never exceeded the approved budgets between 2014 and 2018.

Compensation Report

Exhibit 18: Approval authorities

Compensation pools	Budget/proposal		Approval	
Board of Directors, Executive Committee	NCC	Q4	Shareholders' AGM	May
Group-level budget	NCC	Q3	Board of Directors ratifies	Q4
Department-level budget	Chairman & Co-CEOs	Q3	NCC approves	Q4

Individual compensation	Budget/proposal		Approval	
Chairman of the Board of Directors	Chair of the NCC	Q4	Board of Directors approve	Q4
Members of the Board of Directors	NCC	Q4	Board of Directors approve	Q4
Co-CEOs	NCC	Q4	Board of Directors approve	Q4
Executive Committee, Global Executive Board	Chairman & Co-CEOs	Q4	NCC approves, Board of Directors ratifies	Q4
Other professionals	Executive Committee	Q4	NCC approves, Board of Directors ratifies	Q4

Note: in the case of approving the Chairman's compensation and the additional fees for the Nomination & Compensation Committee (NCC) members, the Board member concerned does not participate in the recommendation involving his or her own compensation.

KPMG

Statutory Auditor's Report

To the General Meeting of Partners Group Holding AG, Baar

Report on the Audit of the Compensation Report

We have audited the accompanying compensation report of Partners Group Holding AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in sections 4.6 to 4.7 and exhibits 10 to 11 on pages 135 and 136 as well as sections 5.6 to 5.7 and exhibits 13 and 14 on pages 140 to 142 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2019 of Partners Group Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Thomas Dorst Licensed Audit Expert Auditor in Charge	Christoph Hochuli Licensed Audit Expert

Zurich, 4 March 2020

KPMG AG, Räffelstrasse 28, PO Box, CH-8045 Zurich