French Energy-Climate Law
2023 Report

Partners Capital Europe SAS

Introduction

This report has been prepared based on requirements set out in Article 29 of the French Energy-Climate Law (No. 2019-1147) and the Implementing Decree (No. 2021-663) taken pursuant to Article L. 533-22-1 of the Monetary and Financial Code.

Article 29 of the Energy-Climate Law seeks to enhance disclosure of information regarding how environmental, social and governance (commonly termed "ESG") criteria are taken into account in our firm's investment policy and processes, as well as on the means implemented to contribute to the energy and ecological transition.

Scope

This report applies to Partners Capital Europe SAS ("Partners Capital Europe") in France covering the financial year ending 31 December 2023, with € 969 million in assets under management[1]. As a group of companies, with offices in Boston, London, Paris, New York, San Francisco, Singapore and Hong Kong, Partners Capital Investment Group (collectively referred to as "Partners Capital") has established a sustainable investing strategy and practices at a global level, which apply to each of our underlying Group entities including Partners Capital Europe. Therefore, some of the information included outlines our global approach to the integration of ESG criteria into the investment process.

However, this report has been prepared taking into account the specific investment activities carried out by Partners Capital Europe, and the nature of the bespoke discretionary-managed client portfolios that have been constructed for our European clients. It should therefore not be relied upon in reference to any of the other Partners Capital entities or the products or portfolios that they manage.

Due to the nature of implementing tailored multi-asset class, multi-manager investment portfolios for our clients, we have summarised our general approach to the integration of financially material ESG criteria into our investment processes, but the level to which these factors are taken into account will vary on a client-by-client basis, depending on the client's specific investment objectives. We encourage our clients to discuss with their Client Manager should they wish to explore the integration of any additional sustainability preferences into the management of their portfolio.

General approach to consideration of ESG criteria in our investment strategy

Partners Capital Europe manages multi-asset class portfolios for our clients, investing across both public and private markets. Our investment model is based on the "Yale Endowment" model, core tenets of which include high, stable risk levels, multi-asset class diversification and allocations to alternative asset classes, such as private markets, which we implement through identification of who we believe to be the best asset managers in each asset class. As outlined above, Partners Capital has implemented a global sustainable investing strategy, and related practices, which apply to all of the entities within the Partners Capital Group.

Partners Capital holds core beliefs on how investing our portfolios in a sustainable manner can have a positive impact on the environment and society, and the importance of embedding the consideration of sustainability risks into our investment processes. Under the EU Sustainable Finance Disclosure Regulation (SFDR), a sustainability risk is defined as an environmental, social or governance (ESG) event, or condition that, if it occurs, can cause an actual or potential material or negative impact on the value of the investment arising from an adverse sustainability impact. Likewise, ESG considerations or events can also provide valuable investment opportunities for investors by enhancing the fundamental investment thesis. As such, Partners Capital believe that the integration of financially material ESG considerations into investment decisions helps us in making better long-term investment decisions for our clients.

[1] As at 31 December 2023.

Our global Sustainable Investing strategy, which incorporates our approach to sustainability risk management, is centred around the five pillars of 'assessment', 'engagement', 'capital allocation', 'exclusions' and 'advocacy and social responsibility'.

We believe that these five pillars help us to deliver impact as a business by: contributing to financial outperformance for our clients, encouraging adoption of best practice ESG integration in financial markets through our relationships with those third-party asset managers with whom we invest, and, where relevant in line with our clients' sustainability preferences, through the allocation of capital to those companies and sectors contributing to sustainability trends.

(1) Assessment of managers' ESG integration approach

We believe that the integration of financially material ESG factors and stewardship insights into investment decision making, as well as having best-in-class Diversity Equity and Inclusion ('DEI') policies in place, help asset managers to make better long term investment decisions for their, and ultimately our, clients. Given a combination of changing consumer preferences and regulation, we believe that ESG factors are of increasing importance to asset valuations. As such, the integration of financially material ESG factors alongside traditional fundamental analysis provides asset managers with a more comprehensive assessment of an investee company or asset.

We seek to assess the degree to which our managers integrate financially material ESG factors into their investment processes and their stewardship and engagement approaches. This begins with our initial due diligence on asset managers before we formally approve them for investment. Thereafter, the assessment is ongoing through the life of the relationship including during our formal due diligence updates, and periodic interactions.

The most formal assessment comes from our asset-class specific Asset Manager ESG Integration Survey (the 'Survey') which attempts to assess the quality and sophistication of our asset managers' ESG integration and stewardship approaches, including their approaches to DEI. The Survey is split into the following six sections: (1) Policies and Infrastructure; (2) Due Diligence, Investment Decision-making and Portfolio Management; (3) Climate Change; (4) Diversity, Equity and Inclusion; (5) Measurement and Reporting; and (6) Asset Class Specific Questions.

We use the information gathered from each of the six sections to arrive at the overall manager categorisation, with no one pillar more heavily weighted than another in the scoring framework. We assign one of our four ESG categorisation to every surveyed manager[2], namely: Yet to Integrate, ESG Initiated, ESG Advanced, and ESG Leader. We have a qualitative scoring framework against which we use to score the managers and the classification process is designed so that managers are evaluated against criteria that are relevant to their asset class rather than taking a one-size-fits-all approach. An illustrative breakdown of each of our four categories is outlined below:

[2] In certain cases, an asset manager may not respond to our request for completion of the ESG Integration Survey, in which case, for those managers investing in a sector with heightened ESG risk, we would seek, through alternative means (e.g. direct engagement with the manager on the issue), to determine the degree to which the relevant manager integrates financially material ESG factors into its investment process. Moreover, for certain strategies in which the portfolio invests (e.g. Absolute Return), ESG factors may be less relevant and Partners Capital may issue a shorter form of the ESG Integration Survey. A manager's openness and transparency with respect to ESG matters may be, but is not necessarily always, a factor in our determination as to whether or not we proceed with the investment. For the avoidance of doubt, Partners Capital generally would not divest from an underlying fund in circumstances where the relevant manager scores poorly on the ESG Integration Survey, but will instead generally seek to engage with the relevant manager with a view to improving the score over time.

Four tiers of ESG Integration	Public Equity, Liquid Credit, Private Equity, Private Debt, Real Estate	Absolute Return Hedge Funds, Commodities, Other Liquid Strategies
ESG Leader	• Meet criteria required to be "ESG Advanced" and also demonstrates strong differentiating factors, e.g. use of sustainability linked loans ("SLLs") where the manager links payable interest rates to company sustainability performance, or manager undergoes detailed climate scenario analysis.	
ESG Advanced	• Highly integrated ESG resources and tools that result in an ability to generate differentiated insights on underlying portfolio companies, create value to the point of delivering competitive advantage and expectation of better societal outcomes. • Active ownership through engagement with portfolio company management teams, including on climate-related issues. • Reporting to limited partners on ESG activities.	• Investment process incorporates ESG factors in decision making to the extent possible. • Reporting to limited partners on ESG activities. • Substantial internal policies procedures and initiatives to address the firm's environmental impact and effect on local communities.
ESG Initiated	• Have a clear ESG policy. • Clearly integrate ESG criteria into their investment decision making. • Engagement through at least proxy voting.	• Investment strategy focused on "doing no harm". • Firm's internal ESG policy focuses on the firm's impact on people and the planet.
Yet to Integrate	• Do not have an explicit ESG policy (firm or investment strategy). • Do not truly integrate ESG criteria into investment decision-making at a base level.	• Personnel and governance policies are below threshold.

For asset managers to receive the highest categorisation, we expect them to consequentially integrate financially material ESG factors and insights from their engagements with investee companies into their investment processes whilst appreciating that the methodology will vary according to asset class and investment philosophy. Furthermore, the manager's ESG integration claims need to be backed up by proof statements, such as case studies, which demonstrate how financially material ESG factors have led to certain investment decisions.

In 2023, 190 asset managers responded to the Survey, the largest number of responding managers since the Survey's inception. The enhanced detail in the 2023 Survey was intended to allow us to generate more specific insights based on geography (location of fund manager headquarters), firm size and asset class. The 2023 Survey featured explicit questions on net zero commitments and emissions reduction target setting; more in-depth questions on manager-level DEI statistics, targets and practices; and a greater focus on proof statements showing how ESG considerations directly impact investment decisions.

(2) Engagement with Asset Managers

We constructively engage with a selected group of third-party asset managers with whom we invest, to assist them in improving their ESG integration and stewardship practices, as well as their DEI approaches, especially in cases where our Survey has identified that their practices are lagging our expectations. The goal of our engagements is to encourage best practice integration and engagement approaches amongst the managers with whom we invest.

We believe that collaboratively engaging with asset managers on improving their ESG integration approaches will ultimately lead to better long-term financial outcomes for our clients and create a greater impact for society and the environment, rather than constraining our investment options through blanket exclusions of certain asset managers because of manager-specific ESG concerns.

We aim to approach our engagements in a pragmatic, but structured way. We seek to propose measurable, achievable, and time-bound objectives focused on improvements to such managers' ESG integration practices. We also seek to set expectations that the managers' processes should improve over time.

In 2023, Partners Capital initiated systematic manager engagements with 40 managers on a variety of ESG-related topics. These engagements aim to improve managers' ESG integration practices with the goal of improving the overall level of ESG integration across our clients' portfolios. We believe that there is no one-size-fits-all approach to integration and therefore engagements are targeted accordingly to be both asset class and strategy specific. Partners Capital has identified four stages for engagement and will move managers through these stages as appropriate and depending on managers' responses to our engagements. These stages are: (i) Education and Expectation Setting, (ii) Policy and Execution Review, (iii) Review Progress of ESG Integration in Investment Decision Making, and (iv) Progress Review.

More information on our engagement strategies can be found in the Engagement Policies section of this report.

(3) Capital Allocation

Partners Capital also aims to selectively deploy capital into companies and sectors that have a positive impact on the environment and society whilst generating a competitive financial return, where these strategies align with our clients' sustainability preferences. We remain particularly interested in investments which will benefit from and contribute to the sustainability megatrend given our expectation of both the capital requirement to finance these transitions and the associated disruption which we believe will leave few industries unaffected.

We rely on the expertise of our dedicated asset class research teams to pursue the most attractive investments in each asset class. For example, in public equities, we have been exploring energy transition long/short strategies that seek to back the future winners of the energy transition whilst simultaneously taking short positions in those companies deemed to be poorly prepared for the transition. Within private markets, we are similarly focused on identifying opportunities relating to climate change, recognising that many of the technologies required to meet global climate goals and net zero targets do not yet exist and funding the development and commercialisation of these technologies presents an opportunity to have meaningful impact whilst generating attractive financial returns.

(4) Exclusions

As an overarching principle, when integrating sustainability risks into our investment decision making, Partners Capital prefers engagement over exclusionary investment approaches. We believe that investors can have a greater impact on management behaviour through active engagement and exercising voting rights.

However, Partners Capital has decided to not invest directly in companies operating in certain sub-sectors. Unless specifically mandated by our clients to do otherwise, we seek to exclude exposure to producers of thermal coal, manufacturers of controversial weapons (including cluster munitions and anti-personnel landmines), tobacco producers and companies engaging in "payday lending" practices from our directly-held public equity portfolios[3]. Our view is that companies in these sectors have little scope for improving their ESG profile in the years ahead and have limited scope for contributing to a more sustainable world, unlike some oil and gas producers who may have the potential to contribute meaningfully to the transition to a low carbon economy.

We aim to also apply our exclusions policy on a best-efforts basis to our clients' portfolios. While we seek to minimise look-through exposure to these sectors via underlying funds managed by one of our third-party managers where practically possible,

[3] In determining whether or not to exclude a particular security from our directly held equities portfolio, we screen relevant securities for a variety of different types of involvements depending on the sector in question. As it relates to thermal coal, a 0% revenue threshold is applied to companies involved with the mining and sale of thermal coal (i.e. companies deriving any revenues from the mining and sale of thermal coal, including lignite, bituminous, anthracite and steam coal, will be excluded from our directly held equities portfolio). This screen does not capture: revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading. A 0% revenue threshold is also applied with respect to companies involved in the manufacture of controversial weapons and with respect to companies that provide products and services associated with the 'payday' lending sector. In the case of companies engaged in tobacco, we screen companies based on revenues derived from, amongst others, production, distribution, licensing, retail and supply activities, applying appropriate 'de minimis' thresholds to each relevant aspect of the value chain in determining whether or not a particular company is operating in a particular excluded sector. Accordingly, we may, from time to time, have some direct exposure to the securities of companies who derive limited, incidental and/or non-core revenues from activities in certain of the excluded sectors referenced.

Partners Capital does not have control over positions held by third party managers and, as such, there may be instances where there is indirect exposure to the excluded sectors mentioned above.

We understand that certain clients, regardless of our firm-wide approach to exclusions, may have opted to implement specific exclusionary policies, which aim to monitor and/or minimise their portfolio's exposure to sensitive sectors. In those instances, we will work closely with our clients to design client-specific portfolios in line with those expectations where possible.

(5) Advocacy and social responsibility

We collaborate with our clients, asset managers and leading institutional investors across the investment industry to support the acceptance and implementation of Sustainable Investing practices. We actively seek meaningful partnerships and opportunities to grow our network to deepen our knowledge and broaden our impact in this rapidly evolving space.

As part of our advocacy work, Partners Capital is a signatory to the PRI, publicly demonstrating our commitment to Responsible Investing. As a signatory, Partners Capital pledges to pursue the PRI's six principles for responsible investment. Additionally, Partners Capital actively engages in the IIGCC, furthering our commitment to examine the impact of climate change on investments and to collaborate with like-minded investors on environmental impact.

Client reporting

(1) Sustainable Investing Dashboard

We believe that effective measurement of ESG factors and the impact, both positive and negative, of investment portfolios is fundamental to assist clients in understanding the sustainability risks associated with their portfolios, as well having the potential to catalyse significant change in the behaviour of both asset managers and business owners and management.

Accordingly, we have developed a Sustainable Investing Dashboard which can be used to support clients with monitoring their adherence to sustainability-related investment policies and exposure with respect to sustainability related risks, where data is available for the underlying portfolio holdings.

The dashboard comprises five sections:

(i) An estimation of the portfolio's exposure to sensitive sectors. We have identified five primary sensitive sectors that certain investors may object to invest in based on moral or ethical concerns, which we report on as part of the Dashboard. This section is designed to estimate the portfolio's exposure to these sectors. The sensitive sectors we report on as standard are: (1) tobacco; (2) alcohol; (3) gambling; (4) defence; and (5) fossil fuels.

(ii) The portfolio's aggregate active manager ESG integration scorecard.

(iii) ESG metrics calculated for the global and hedged equity portion of the portfolio (calculated using third-party data).

(iv) An estimation of the portfolio's allocation to potentially impactful companies or sectors.

(v) Data on the stewardship approaches adopted by the portfolio's underlying public equities managers.

Clients may also elect to receive an extended version of the Sustainable Investing Dashboard which features an expanded set of ESG metrics for the public equities portion of the portfolio (calculated using third-party data).

(2) Sustainable Investing Report

Partners Capital publishes a Sustainable Investing Report on an annual basis, which is distributed to our global client base and summarises, amongst other things, our annual activities in relation to Sustainable Investing, as well as our engagement with our asset managers and efforts to enlarge the universe of investment opportunities with positive environmental and societal impact. It also illustrates our reporting efforts for client portfolios with respect to ESG metrics provided alongside normal financial performance attribution reporting.

Our Sustainable Investing Report covering 2023 laid out our current macro view of the Sustainable Investing landscape, an update on Partners Capital's Sustainable Investing progress and our goals for 2024. Some of the key focus areas include our Diverse Manager Research Initiative through which we aim to broaden our sourcing efforts of diverse managers, and continuing our systematic engagement programme with the third-party asset managers with whom we invest, with the aim of driving measurable improvements in ESG practices.

(3) Bespoke Client Reporting

Given the nature of the bespoke multi-asset class portfolios that we manage on behalf of our clients globally, and taking into account a client's specific investment objectives, there may be cases where clients request bespoke reporting in relation to their portfolios. With respect to ESG or sustainable investing, this could include: requesting detailed case studies in relation to the engagement activities that have been conducted with the third-party managers; providing more detailed information with respect to how Partners Capital has categorized the managers in which the portfolio is invested; or outlining more detailed ESG / sustainability risk metrics, where available, in relation to the portfolio's underlying holdings or exposure.

Enhancing our reporting capabilities

Recognising that accurate ESG-related reporting is an industry-wide challenge, we aim to improve the quality of our reporting over time and stay abreast of trends and best practice regarding ESG measurement. As previously outlined, due to the nature of our client's investment portfolios, which are mainly invested in funds managed by third-party asset managers and generally have considerable allocations to private markets investments (i.e. Private Equity or Private Debt), there are enhanced complexities in providing reporting in relation to underlying exposure information to our clients.

We work with these third-party managers and seek to encourage them to improve their sustainability-related reporting capabilities, as well as enhance the level of the data they provide us with respect to the underlying funds' investments. As such, we review and update our client reporting periodically to improve accuracy, coverage of the portfolio for which data is available and to incorporate new sustainability-related datapoints.

Membership in charters, codes or ESG-related associations

As a global firm, Partners Capital collaborates with our clients, asset managers and leading asset owners across the investment industry and seeks to establish best practices regarding ESG integration. Partners Capital sits at the nexus of clients, shareholders and asset managers within the industry, which we believe affords us an incredibly privileged position to be able to exert influence on the industry and we have actively sought partnerships to grow our network in order to deepen our knowledge and broaden our impact in this rapidly evolving space.

Partners Capital became a signatory to the UN-supported Principles for Responsible Investment in 2020, publicly demonstrating our commitment to responsible investing. As a signatory, Partners Capital pledges to pursue the PRI's six principles for responsible investment with respect to the portfolios and products managed on behalf of our global client base. The asset-class specific work done by the PRI, such as the publication of minimum requirements for ESG integration within an asset class, has also informed our Survey and the information we are requesting from our managers in relation to their ESG integration and stewardship efforts.

Furthering our commitment to understanding the impact of climate change on investments and collaborating with like-minded investors on environmental impact, Partners Capital joined the Institutional Investors Group on Climate Change (IIGCC) and is contributing to, and engaging with, the Investor Practices programme to help our clients and asset managers better integrate climate risks and opportunities into their investment processes. Deeper understanding of climate risks and opportunities enables Partners Capital to better safeguard our investors' assets and enhance long-term value.

Partners Capital also collaborates with ShareAction on a case-by-case basis and engaged with ShareAction on the WDI (Workforce Disclosure Initiative) and LIPH (Long-term Investors in People's Health) initiatives in 2023. In August 2023, Partners Capital co-signed an investor letter to the ISSB (International Sustainability Standards Board) calling for human capital and human rights standards to be developed as a priority, and in an interconnected way.

Specifically in relation to Partners Capital Europe, the products and client portfolios that we manage are not currently aligned with any codes or charters with respect to ESG and have not obtained any certifications or labels for taking account of ESG quality criteria into the management of these products or portfolios.

Internal resources deployed

Partners Capital Europe does not have any specific resources that are dedicated to the consideration of environmental, social or governance criteria in the investment strategy at an entity level. However, as it relates to the Partners Capital's Group at a global level, dedicated resources have been allocated to the Firm's sustainable investing efforts in the following ways:

(1) Partners Capital Sustainable Investing Team

The Sustainable Investing Team, which is overseen by the Global Head of Sustainable Investing, is responsible for implementing the Firm's Global Sustainable Investing Policy. This includes, but is not limited to, overseeing the Survey and assessment process for the third-party asset managers with whom Partners Capital invests, preparing the Firm's sustainability-related disclosures and client reporting approach, and providing training to the Research and Investment Teams on the Sustainable Investing Policy and escalation approach for identified sustainability risks. As of December 2023, the Sustainable Investing Team was made up of nine of our global employees. Two of these individuals spend a minimum of 50% of their time focused on ESG aspects, and seven have hybrid roles with a considerable portion of their workload expected to be focused on driving the group's sustainable investing efforts.

(2) Partners Capital Investment Team

While the Sustainable Investing Team comprises our dedicated resources to furthering Partners Capital's sustainable investing efforts, Partners Capital also relies on the broader investment team, which comprises separate client and research teams, to put its policies and initiatives into practice. For example, our client teams have ownership of individual client relationships and responsibility for managing individual client portfolios. Therefore, any policies, tools and initiatives the Sustainable Investing Team put in place related to client portfolios (e.g. producing sustainability-related client reporting) are actioned and implemented by the respective client teams. Similarly on the research side, this team has ownership of existing manager relationships and responsibility for sourcing new managers for our portfolios. Therefore, any tools and initiatives established by the Sustainable Investing Team in relation to managers (e.g. the Survey) are implemented in conjunction with the investment research team.

(3) ESG Data Providers

Partners Capital subscribes to a third-party data provider of ESG data, to measure ESG performance and exposure to sensitive sectors of the public equities portion of client portfolios. In our view, ESG-related reporting by underlying companies and reporting provided to us by our fund managers lacks consistency and comparability. Therefore, for our public equity portfolios, we seek to source the relevant ESG data from a third-party provider and apply that data to the underlying holdings of our public equity managers to help support us in producing client portfolio-level ESG reporting. We source a range of datasets from this provider including their global norms data, company ESG ratings, company ESG metrics, business involvements screening and carbon emissions data.

Actions taken to strengthen our internal capabilities

Our Sustainable Investing Team continues to focus their efforts on enhancing the internal communication around sustainable investing and ESG developments to help train our global team in this important space. The Sustainable Investing Team distribute monthly update emails to highlight recent developments in industry-relevant ESG and sustainable investing trends and new academic research in the space that may have implications for the Firm and our investments. Those monthly updates are also being used to keep the team well informed on updates relating to our Firm-wide sustainable investing strategy. In addition, periodic training is provided to our investment team on our manager assessment and engagement and client Sustainable Investing Dashboard.

The Sustainable Investing Team is constantly reviewing third party data vendors of ESG and impact data in the marketplace to assess whether we can improve the Dashboard and sustainability-related reporting for clients, and to broaden our analytical capabilities. The Sustainable Investing team is evaluating several third-party impact data providers to see whether – alongside metrics such as carbon footprint and portfolio company diversity for the global and hedged equities portion of their portfolio – clients could be shown look-through data for the private assets within their portfolio or impact-related metrics to better understand their portfolio's impacts on people and the planet.

Sustainability-related reporting in the asset management industry is still in its infancy, particularly for private market or alternative asset class investments. This is further complicated by Partners Capital's investment via third-party asset managers, where full look-through data to the underlying investments and investee companies is not always available. As such, there are significant data and methodological challenges associated with sustainability reporting. Certain sections of the Sustainable Dashboard only include data for the long-only public equities portion of the client's portfolio, and the level of available coverage and limitations of the data presented as part of the Dashboard are disclosed to clients within the Notes to the Sustainable Investing Dashboard, which must be included in client decks wherever the Dashboard is presented.

Given that the sustainable investing landscape is rapidly changing, and we are witnessing an increasing interest in the field, we continuously review the staffing of our Sustainable Investing Team and the Firm's resources allocated to sustainable investing initiatives. Additionally, we have also strengthened our knowledge and understanding of key sustainability topics, with a specific focus on the energy transition, which will, in our view, affect the investment industry in the longer term.

Consideration of ESG criteria in Partners Capital's governance processes

Given the nature and size of Partners Capital Europe, as well as the structure of the global Sustainable Investing Team, ESG and sustainability criteria are incorporated into Partners Capital's governance processes at a global level. Partners Capital has organised its governance processes in relation to the consideration of ESG criteria around various committees and teams that support the work done by the Sustainable Investing Team.

Partners Capital has a Board of Directors, comprised of executive and non-executive directors (the "Board"). The Board is ultimately responsible for governance and oversight activities of the Firm, including its portfolio management, investment advisory services and fund management activities. This includes the establishment of an effective and resilient governance and risk management framework. The Board delegates certain management responsibilities to certain sub-committees, individuals, and/or teams within the Firm's structure. The Audit and Risk Committee (which is a sub-committee of the Board consisting of at least two independent non-executive directors) has been established to provide independent oversight and challenge, as well as to assist the Board in evaluating the Firm's current risk appetite, framework, exposure, and future risk strategy.

The management of sustainability-related risks (including climate-related matters) is incorporated into Partners Capital's overall governance processes, and the Firm has allocated dedicated resources with appropriate experience and expertise to manage the Firm's sustainable investing strategy. The Firm has appointed a Global Head of Sustainable Investing, who is responsible for developing the Firm's sustainability-related policies and controls and advising the Firm's senior management on the sustainable investing strategy, which includes climate risk management. The Firm's sustainable investing strategy and policies are approved by the Firm's Chief Investment Officer and Chair of the Client Committee. The Global Head of Sustainable Investing ensures that senior management are well equipped with the knowledge to understand industry best practices around ESG and sustainability risk management.

The Sustainable Investing Team work closely with Risk and Compliance Teams to ensure that the Firm's sustainable investing processes are compliant with relevant regulation and that relevant sustainability factors are being embedded into our global risk management frameworks. Where a material sustainability-related risk is identified, the Sustainable Investing Team will work with Compliance to ensure that this is escalated to the relevant members of senior management, and if appropriate, to the Firm's Operational Risk Committee and the Board via the Audit & Risk Committee.

The below table sets out the teams and committees involved in the assessment, management and oversight of sustainability – related risks.

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Committee / Team	Roles and Responsibilities
Sustainable Investing Team	• Implementing Partners Capital's sustainable investing strategy. • Overseeing the Asset Manager ESG Integration Survey and assessment process. • Preparing the Firm's sustainability-related disclosures and client reporting approach. • Training the Investment Team on the Sustainable Investing Policy and escalation approach for identified sustainability risks. • Currently, the team consists of nine team members who have a background in investing, research, client relationship management, and sustainable investing.
Client Committee[4]	• Governance for all client decision making, interactions, strategies, reporting and communications, including those related to sustainable investing.
Operational Risk Committee[5]	• Primary decision-making body responsible for the identification, reduction and mitigation of legal, regulatory, financial, organisational, personnel, technological and operational risks, including those in relation to sustainability risk management.
Compliance Team	• Ensure the Firm is kept up to date with regulatory updates with respect to ESG and sustainability risk management. • Advising on sustainability risk policies and processes in relation to the Firm's regulatory obligations. • Review of client and regulatory disclosures, client communications and marketing materials to ensure greenwashing risk is minimised. • Participate in the assessment of third-party asset managers during the Asset Manager ESG Integration Survey.
Risk Team	• Consider sustainability risks when establishing the risk profile (and/or related methodologies) with respect to our client portfolios and pooled vehicles. • Monitor investment compliance with ESG Investment guidelines and restrictions with respect to our client portfolios and pooled vehicles.

Below we have set out management's day-to-day responsibilities in implementing the processes Partners Capital has established in assessing and managing sustainability-related risks for the Portfolios we manage.

Due diligence and approval of third-party funds

Partners Capital has implemented a robust due diligence and approval process for each of the third- party funds in which we invest. The Research Operations Team have day-to-day responsibility for the oversight of the manager due diligence process.

We believe that the integration of financially material ESG factors and stewardship insights into investment decision making (if relevant to the underlying investment strategy), helps asset managers to make better long term investment decisions for their, and ultimately our, clients. Given a combination of changing consumer preferences and regulation, we believe that financially material ESG factors are of increasing importance to asset valuations. As such, the integration of financially material ESG factors alongside traditional fundamental analysis provides asset managers with a more comprehensive assessment of an investee company or asset.

We seek to assess the degree to which our managers integrate financially material ESG factors into their investment process and their stewardship and engagement approaches. The Sustainable Investing Team support the Asset Class Research Teams with this assessment before we formally approve a manager for investment. Thereafter, the Sustainable Investing Team ensure that the assessment is ongoing through the life of the relationship including during our formal due diligence updates, ongoing risk reporting and in our periodic interactions.

As discussed above, the Firm has designed an Asset Manager ESG Integration Survey, which is the most formal assessment of how the third-party managers with whom we invest incorporate sustainability considerations, into their investment decisions.

[4] The Client Committee is comprised of several senior members of the Firm, including the Head of EMEA and the Head of London and certain Partners and Managing Directors within the global Investment team.
[5] The Committee is comprised of several senior members of the Firm including the Global Chief Operating Officer, Head of Operational Risk, Head of Research Operations and members of the Risk and Compliance teams.

Portfolio Management (Client and Pooled Vehicles)

Partners Capital Europe provides discretionary management services to its clients in relation to Partners Capital managed pooled vehicles and third-party investment products. Where Partners Capital provides discretionary management services, the client team will have discretion over the investments within the portfolio with oversight by the Firm's Client Committee and Investment Committee.

Where a client has specific sustainability-related investment preferences, it will be the responsibility of the Investment Team, and in particular the Client Manager with oversight from the Client Head, to ensure that these preferences are incorporated into the management of their portfolio.

The Firm's managed pooled vehicles aim to provide Partners Capital's clients access to what we believe to be, the best asset managers in each major asset classes. The Pooled Vehicle Portfolio Management Team ensure adherence to the pooled vehicle's strategy, including with respect to the agreed sustainability-related characteristics, where applicable.

The below table sets out the teams and individuals with day-to-day responsibilities for the key processes Partners Capital has established to assess and manage sustainability-related risks for the Portfolios we manage.

Committee / Team	Role / responsibilities
Research Operations Teams	• Oversight of the due diligence and approval process for new third-party funds / asset managers.
Asset Class Research Teams	• Assess new third-party funds / asset managers, in line with the established due diligence and approval process.
Client Head	• Oversight of the investment decision and recommendations made by the Client Manager are in line with the global sustainability risk management framework and client sustainability preferences.
Client Manager	• Ensure any investment decisions and recommendations made on behalf of a client are done so in line with the global sustainability risk management framework and client sustainability preferences.
Asset Class Head	• Ensure the ongoing monitoring process of the approved third-party funds/ asset managers within their asset class is conducted on an ongoing basis.
Asset Class Investment Committee	• Oversight of the ongoing monitoring process of the approved third-party funds/ asset managers within their asset class.
Pooled Vehicle Portfolio Manager	• Ensure that investment decisions made within the pooled vehicle are done so in line with the global sustainability risk management framework. • Maintain adherence to the pooled vehicle's strategy, including with respect to the agreed sustainability-related characteristics of the pooled vehicle, where applicable.

Partners Capital is enhancing its internal governance structure in relation to sustainability risk management in 2024 by establishing a Global Sustainable Investing Committee (the "Committee") to act as the main governing body to oversee and update the Firm's strategy on sustainability risk and disclosures. The Committee will adjudicate on the suitability of third party-managers and co-investments, where necessary, or identified controversial exposures in our client or pooled vehicle portfolios and any material changes to our Sustainable Investing Policy.

The Committee will be chaired by the Global Head of Sustainable Investing and comprise of the Head of Research Operations, Chief Investment Officer, Chair of Client Committee, and the Head of Asia Pacific Compliance.

The Sustainable Investing Team will continue to be responsible for the implementation of Partners Capital's sustainable investing strategy. The team will prepare and provide the Committee with quarterly reports, including but not limited to, the monitoring of third-party managers and/or controversial exposures in our client and pooled vehicle portfolios, for the Committee's consideration.

Where and when required from a regulatory, investment or client risk perspective, the Sustainable Investing Committee will escalate material matters to the Operational Risk committee, Global Investment Committee or Client Committee.

Remuneration

Partners Capital has designed its remuneration policies and practices to be consistent with promoting sound and effective risk management, which includes sustainability risks. Our remuneration practices are aligned to the business strategy, objectives, values and long-term interests of the Firm.

Where employees are eligible for discretionary variable bonuses, in setting these bonuses, we would always consider the overall results and performance of the Firm. In addition, a portion of variable pay comprises a deferred award that is invested alongside our clients during the vesting period. Therefore, by embedding good governance practices and integrating sustainability factors into our investment decision-making, and by linking employees' remuneration with the overall performance of the Firm, we believe that our remuneration policies incentivise employees to consider all material risks that our portfolios may face, which increasingly includes adverse sustainability risks.

Engagement Policies

Due to our investing strategy of predominantly investing via third party fund managers rather than directly holding shares in public companies, Partners Capital has developed an approach to engagement and stewardship that focuses on our relationships with third party managers with whom we invest.

As mentioned above, we constructively engage with selected third-party asset managers with whom we invest, particularly where their strategies could be significantly exposed to potential sustainability risks or ESG considerations, to assist them in improving their ESG integration and stewardship practices, as well as their DEI approaches. More information on our engagement strategy can be found in the section covering our general approach to consideration of ESG criteria in our investment strategy.

Partners Capital's direct public equities holdings are generally limited to our public equities co-investment strategies, where clients can directly access the top equity holdings of a selection of approved active equity managers, without the payment of third-party fees and the, at times, more onerous liquidity terms of these funds. Given that this stock selection is based on the due diligence undertaken by these third-party managers, we do not directly engage with or monitor the investee companies but consider these managers' engagement approaches when selecting managers for inclusion in these co-investment strategies.

Further to the information included in this report, additional information on our engagement and stewardship approach can be found in our disclosures under the European Shareholders Rights Directive II.

Proxy Voting Process

Where Partners Capital owns stocks directly as part of one of the co-investment strategies, we exercise our shareholder right to vote. Partners Capital has retained Institutional Shareholders Services Inc. (ISS) to assist in the proxy voting process and follows ISS' Sustainability Policy recommendations. The recommendations seek to promote support for global governing bodies advocating for sustainable business practices such as environmental stewardship, fair labour practices, non-discrimination, and the protection of human rights. The recommendations are also underpinned by internationally recognized sustainability-related initiatives, such as the UN PRI.

In practical terms, ISS executes all Partners Capital voting on our behalf and votes directly on company resolutions using the Sustainability Policy as a guidance.

Where Partners Capital has authority and is operationally able to vote client proxies, Partners Capital will vote each proxy in accordance with its fiduciary duty to its clients, subject to any operational constraints. On a case-by-case basis, Partners Capital may also be able to instruct the specialist voting service provider to take into account specific considerations or voting guidelines provided by individual clients.

Copies of our Global Proxy Voting Policy, which outlines the procedures we follow with respect to exercising the proxy voting rights on behalf of our clients, as well as our proxy voting records are also available to our clients upon request.

Article 8 and 9 Products under SFDR

Currently, the discretionary portfolios managed on behalf of the clients of Partners Capital Europe SAS are all classified as Article 6 based on the requirements set out in the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR").

We recognise that our clients' investment objectives are constantly evolving, particularly with respect to their sustainability preferences, and we understand that some clients may wish to include additional ESG integration measures or sustainability-related investment allocations over time. As such, should there be any new binding environmental or social characteristics promoted by a client's investment portfolio, revised categorisations under the SFDR would be applied, as well as revised portfolio-level disclosures in the format prescribed by Article 8 or 9 of the SFDR.

European Taxonomy and fossil fuels

European Taxonomy:

Currently, environmental aspects are becoming increasingly important to companies and financial services firms and the European Commission has worked to map certain economic activities to their level of sustainability under Regulation (EU) 2020 / 852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment ("the EU Taxonomy Regulations").

In order to be able to identify whether activities or investments are aligned with the objectives defined under the EU Taxonomy, companies and financial services firms have begun work to analyse their activities and investments. However, there is a lack of reliable data currently made available by companies and due to Partners Capital predominantly investing via third party fund managers, there is an additional layer of complexity in obtaining the required data. Whilst Partners Capital assesses the ESG integration and sustainability practices of our third-party managers via the Asset Manager ESG Integration Survey, we are not currently able to calculate the proportion of Taxonomy-aligned investments that Partners Capital Europe has exposure to as part of client portfolios.

Fossil fuels:

As part of the Sustainable Investing Dashboard that we have developed to aid with reporting of sustainability related information to clients, we seek to provide an estimation of sensitive sector exposure, which includes an estimation of exposure to fossil fuels, to the extent possible and subject to data availability for the funds in which these clients are invested.

The Sustainable Investing Team periodically reviews our reporting capabilities, including the availability of data from third-party asset managers and reviewing third-party data providers with respect to sustainability-related data that is available in the marketplace. We aim to provide reporting for Partners Capital Europe on an aggregated basis with respect to our exposure to companies operating in the fossil fuel sector as soon as more comprehensive data is available.

Alignment with objectives under the Paris Agreement

We are in agreement with the scientific community that human activity, most notably the burning of fossil fuels for the production of energy, has caused the atmospheric changes which have led to increased temperatures and the associated effects such as rising sea levels. We believe that accounting for the potential impacts of climate change is an imperative for any long-term investment strategy. However, Partners Capital Europe has not set an explicit strategy to align with the objectives of the Paris Agreement.

That being said, our annual Survey has a section dedicated to climate change, which addresses the manager's approach to integrating climate risks into their investment process, whether they have implemented any net zero targets either at a firm or portfolio level and the way in which they run their businesses.

We believe an equally important factor that will determine the world's ability to meet the goals of the Paris Agreement is financing climate solutions. In that regard, we have recently allotted specific resources to private markets investment research to identify potential investments into companies and specialist manager funds in a diversified set of environmental sustainability sectors and themes including renewable energy generation & storage, transportation & mobility, industrial processes & management, food & agriculture, smart buildings, and water, waste, plastic & recycling.

Alignment with long-term objectives relating to biodiversity

Partners Capital does not currently have a strategy for alignment with long-term biodiversity impacts. However, we do align with the long-term objectives relating to biodiversity in the following ways. Firstly, we determine the degree to which our managers integrate ESG factors into their decision-making process, primarily via our Asset Manager ESG Integration Survey and through our regular interactions with managers. We recognise the rising importance of biodiversity impacts, which can be a material environmental consideration for certain companies. Through our Survey and our regular interactions, we set clear expectations to our managers that they should be considering the ESG risks material to their investee companies, which includes biodiversity impacts. As noted above, we have recently allotted specific resources to private markets investment research to identify potential investments into companies and specialist manager funds in a diversified set of environmental sustainability sectors and themes, which may include opportunities focused on having a positive impact on biodiversity.

Risk Management Processes

In accordance with Article 3 of the SFDR, Partners Capital Europe is required to outline the entity level policies that are in place regarding the integration of sustainability risks in our investment decision-making process. The SFDR defines a sustainability risk as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Partners Capital has developed a Global Sustainability Risk Management Policy that has been designed to provide a framework for Partners Capital's approach to sustainability risk management and the consideration of environmental, social and governance factors into decision making for the portfolios that we manage on behalf of our clients. This policy is reviewed on an annual basis.

Due to the nature of implementing tailored investment portfolios for our clients globally, the nature of the sustainability risks and the level to which ESG factors are taken into account will vary on a client-by-client basis, depending on the client's specific investment objectives or sustainability preferences.

As outlined above, Partners Capital has implemented a global sustainable investing strategy, and related risk management practices, which apply to all of the entities within the Partners Capital Group, including Partners Capital Europe. We aim to deliver sustainable long-term investment performance to our clients, giving due consideration to financially material environmental, societal, and governance factors, and by embedding sustainability risk management practices into our investment decision-making process.

This includes an assessment of the ESG integration and sustainability practices for the managers with whom we invest via our Survey. Appreciating that their methodologies will vary according to asset class and investment philosophy, we seek to understand the ESG integration practices and risk management measures that they have implemented. This includes understanding how they identify potentially material ESG risks, as well as how identification of these risks impacts the investment decisions that they make for their portfolios. A dedicated section is also included to understand our managers' approach to the management of climate-related risks. Where we deem a strategy to be more exposed to potentially material sustainability risks, or we deem a manager's ESG integration or sustainability risk practices to be insufficient, we will seek to constructively engage with them to improve their practices over time.

Furthermore, for direct investments into public equities, we have developed an exclusionary policy to exclude exposure to certain sectors where we deem the associated sustainability risks to be too material. To the extent possible, we seek to understand the exclusions policies of the third-party managers with whom we invest and to minimise our exposure to these sectors via these third-party funds. More information can be found in the Exclusions section above.

Partners Capital believes that environmental, social and governance (ESG) factors – if financially material – are becoming of increasing importance to asset valuations through a combination of regulation and consumer behaviour. Accordingly, we believe that asset managers that incorporate these factors into their investment decision making, augmenting classic financial due diligence, will have a more holistic understanding of asset valuation and prospects.

Consideration of Principal Adverse Impacts on Sustainability Factors under SFDR

Currently, within the meaning of Article 4 of the SFDR, Partners Capital Europe does not consider the principal adverse impacts of investment decisions on sustainability factors. While we fully support the aim of the SFDR to bring clarity and consistency to sustainability-related disclosures in the financial markets, the consolidated Regulatory Technical Standards which governs the mandatory principal adverse impact indicators and related reporting template required to voluntarily claim compliance with Article 4 of the SFDR are challenging to implement in their current form, due to the granularity of the reporting data that is required. As outlined above, it should be noted that Partners Capital predominantly invests via third-party fund managers and full transparency to underlying holdings or data on the principal adverse impact indicators in relation to these portfolios is not consistently provided to allow us to consider the principle adverse impact indicators across all of our holdings.

Partners Capital Europe manages multi-asset class portfolios for our clients, investing across both public and private markets. We have observed positive steps being taken by a subset of public companies to disclose their non-financial impacts. However, progress is not uniform, particularly for smaller and privately-held companies with fewer resources dedicated to sustainability reporting. As a result, companies do not report on all of the principal adverse impact indicators in a consistent and comparable manner. The standard of reporting by private companies, which are less likely to be subject to any mandatory sustainability reporting obligations, is often even further behind.

Partners Capital recognises that sustainability reporting is a rapidly evolving field, and we expect the quality of data to improve over time, in line with advancements in corporate disclosure and developments in the availability of sustainability-related data. As such, we intend to review our ability to publish a statement on the consideration of adverse impacts of investment decisions on sustainability factors on an annual basis.

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