

# French Energy-Climate Law 2024 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 2024, with € 1,063 million in assets under management<sup>1</sup>. 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 considering 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 and sustainability preferences. We encourage our clients to discuss with their Client Manager should they wish to explore the integration of any additional sustainability preferences, that go beyond the Partners Capital approach to sustainable investing, 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 “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.

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<sup>1</sup> As at 31 December 2024.

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 approaches**

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. 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 categorisations to every surveyed manager<sup>2</sup>, 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:

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<sup>2</sup> 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
<b>ESG Leader</b>	<ul style="list-style-type: none"> <li>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 use of a proprietary framework for assessing ESG factors.</li> </ul>	
<b>ESG Advanced</b>	<ul style="list-style-type: none"> <li>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.</li> <li>Active ownership through engagement with portfolio company management teams.</li> <li>Reporting to limited partners on ESG activities.</li> </ul>	<ul style="list-style-type: none"> <li>Investment process incorporates ESG factors in decision making to the extent possible.</li> <li>Reporting to limited partners on ESG activities.</li> <li>Substantial internal policies procedures and initiatives to address the firm’s environmental impact and effect on local communities.</li> </ul>
<b>ESG Initiated</b>	<ul style="list-style-type: none"> <li>Have a clear ESG policy.</li> <li>Clearly integrate ESG criteria into their investment decision making.</li> <li>Engagement through at least proxy voting.</li> </ul>	<ul style="list-style-type: none"> <li>Investment strategy focused on “doing no harm”.</li> <li>Firm’s internal ESG policy focuses on the firm’s impact on people and the planet.</li> </ul>
<b>Yet to Integrate</b>	<ul style="list-style-type: none"> <li>Do not have an explicit ESG policy (firm or investment strategy).</li> <li>Do not truly integrate ESG criteria into investment decision-making at a base level.</li> </ul>	<ul style="list-style-type: none"> <li>Personnel and governance policies are below threshold.</li> </ul>

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.

Until 2023, we have conducted the Survey on an annual basis. We have moved to a biennial Survey frequency starting in summer 2025. During the last Survey 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.

In 2025, we are aiming to make further improvements to the quality of the information collected from our managers on their ESG and sustainable investing practices, all of which are designed to account for the swiftly changing sustainable investing landscape.

## (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, where their investment strategy allows, 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.

Our engagement programme prioritises Partners Capital’s largest fund manager relationships that are demonstrably behind their asset class peers in terms of ESG integration. Over 2024, this approach has led us to engaging with managers with significant client assets, totalling \$12.9B as of 30 September 2024. 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. Over 2024, Partners Capital engaged with 44 managers on sustainable investing topics across 60 meetings. 75 objectives have been set for the managers engaged, split into six thematic areas, with some managers having multiple engagement objectives against their names. The main areas of focus of our engagements have been ESG policy setting, ESG integration in investment decision making, portfolio company engagement, and climate change.

### Manager Engagement Case Study

Over the course of 2024, Partners Capital worked with a \$6B life sciences manager to improve the quality and communication of its ESG integration practices. Partners Capital’s overall assets with the manager were \$400M as of 30 September 2024. Partners Capital’s specific objectives for the engagement - which it was successful in achieving - were to help the manager develop an ESG policy and improve the monitoring of portfolio company ESG practices. We also sought out additional proof statements that financially material ESG factors are incorporated into the manager’s investment decision making. The improvements in the manager’s ESG integration practices led Partners Capital to upgrade the manager from **Yet to Integrate** to **ESG Initiated** within our ESG Integration framework.



#### April

##### Education and Expectations Setting

- Partners Capital introduced its Sustainable Investing approach and shared high-level guidance on the design of best practice ESG policies and materiality frameworks as well as the effective use of third-party data providers.
- The manager was receptive to Partners Capital providing feedback on a draft ESG Policy.

#### July

##### Policy and Execution Review

- The manager sent the draft ESG Policy as well as its portfolio monitoring questionnaire (for a specific fund) to Partners Capital for review.
- After receiving Partners Capital’s feedback, the manager submitted the ESG policy and questionnaire to its Board for review with a view to rolling this out across additional funds in the future.

#### August

##### Review Progress on ESG Integration in Investment Decision Making

- Partners Capital gained additional information from the manager regarding their integration of ESG factors. The manager highlighted that the use of relevant ESG factors (such as the governance of clinical trials) are key focus areas for the manager when making investments decisions.
- Based on the strong progress in developing policies and infrastructure and the additional evidence gained via the analyst call, the manager was upgraded to **ESG Initiated**.

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 a few sub-sectors. Unless specifically mandated by our clients to do otherwise, we seek to exclude direct exposure to producers of thermal coal, manufacturers of controversial weapons (including cluster munitions and antipersonnel landmines), tobacco producers and companies engaging in “payday lending” practices from our directly-held public equities portfolios<sup>3</sup>. 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, 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 United Nations-supported Principles for Responsible Investment (“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 Institutional Investors Group on Climate Change (“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:

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<sup>3</sup> 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. We screen for tobacco producers applying a 0% revenue threshold. For companies involved in the distribution, licensing, retail and supply activities of tobacco products we apply a 10% revenue threshold.

- (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 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 2024-2025 outlined our views on the evolving sustainable investing landscape and the progress we made over the year. We also highlighted our manager engagement programme, our diverse manager initiative, and also introduced our newly developed impact assessment framework that we are aiming to implement on a forward-looking basis in order to assess investments that have the potential to generate positive impact. The Sustainable Investing Report can be found on our website.

## **(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 sustainable investing reporting in relation to their portfolios. This could include, but is not limited to: 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 continues to be 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 PRI 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 has engaged with the Investor Practices programme in the past to help our clients and asset managers better integrate climate risks and opportunities into their investment processes, specifically on the topic of climate solutions investment as part of a broader net-zero framework. Today we continue to participate in investor workshops designed to share learnings and best practices. Deeper understanding of climate risks and opportunities enables Partners Capital to better safeguard our investors' assets and enhance long-term value.

On a case-by-case basis and where applicable, Partners Capital collaborates with ShareAction to drive positive change in corporate behaviour on ESG.

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 2024, the Sustainable Investing Team was made up of ten of our global employees. Two of these individuals spend a minimum of 50% of their time focused on sustainable investing, 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 third-party data providers 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 third-party providers 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 our providers including their company ESG ratings, company ESG metrics, business involvements screening and carbon emissions data.

### Actions taken to strengthen our internal capabilities

In 2024, we formalised further the governance of our sustainability efforts through the establishment of the Global Sustainable Investing Committee, which convenes quarterly to oversee Partners Capital's firm-wide sustainable investing strategy, assess risks, and approve sustainability-related initiatives and disclosures. More detail on the Committee can be found in the section covering *Consideration of ESG criteria* in Partners Capital's governance processes.

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. Training for investment professionals is provided on a periodic basis and includes the application of our ESG due diligence frameworks, asset manager engagement processes, and the client Sustainable Investing Dashboard. This dashboard is a key part of our client reporting toolkit, designed to provide transparency into how ESG considerations are reflected in portfolios.

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. As part of this continued effort to improve data quality, we upgraded our ESG data architecture in 2024 by onboarding new third-party providers, Morningstar Sustainalytics and Integrum, enhancing our ability to screen for sensitive exposures and benchmark ESG characteristics. The Sustainable Investing team continues to evaluate 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 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.

Despite these challenges, our reporting capabilities continue to evolve. Notably, in 2024, we published our inaugural Task Force on Climate-Related Financial Disclosures (TCFD) report, which outlines our governance, strategy, risk management, and metrics related to climate risks.

## 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's Board of Directors is ultimately responsible for governance and oversight of the firm's activities, including sustainability-related risks and opportunities as well as regulatory ESG risks.

However, the day-to-day management of sustainability-related matters falls under the Global Sustainable Investing Committee's purview and are managed through its established governance framework. The Audit and Risk Committee (ARCo) of the Board of Directors, provides board-level oversight and challenge of sustainability-related risks and ESG regulatory issues on an ad hoc basis, as and when they are escalated by the Global Sustainable Investing Committee (via Operational Risk Committee - 'ORC'). ARCo is therefore the ultimate escalation point for all sustainability-related risks and ESG regulatory matters within Partners Capital. The ARCo meets on a quarterly basis and considers any escalated sustainability risks and ESG regulatory



matters at each meeting. Compliance updates to ORC and ARCo include a standing ESG regulatory item (in the Compliance Heat Map), which is reported at each meeting on a RAG risk rating system.

ORC, which reports into ARC, meets on a monthly basis and considers ESG regulatory risk as part of its standing agenda items in the wider periodic compliance update (as well as any specific items escalated by the Global Sustainable Investing Committee on an ad hoc basis). At a regional level, quarterly regulatory management committees are in place in all regional head offices (Boston, London, Paris, Singapore, and Hong Kong) where specific local ESG regulatory risk issues are also raised by Compliance, on an ad hoc basis. These regional committees follow the same approach as the ARCo / ORC reporting, but with a lower ESG regulatory risk severity level threshold for reportable matters (to ensure relevant matters are appropriately considered and triaged for potential escalation to the global committees). All committees have documented terms of reference in place.

The ARCo meets on a quarterly basis and receives any escalated sustainability-related risks or ESG regulatory risk matters on an ad hoc basis at each meeting. However, pure ESG regulatory risk is reported at each meeting as a standing agenda item.

The Sustainable Investing Team, together with Compliance, prepare quarterly reports for the Global Sustainable Investing Committee on sustainability-related risks. This Committee, chaired by the Global Head of Sustainable Investing, includes senior firm leaders and serves as the primary governing body overseeing the firm's sustainability strategy and disclosures. This Global Sustainable Investing Committee escalates material matters to the Board via the Operational Risk Committee (ORC) as needed, based on regulatory, investment, or client risk relevance.

The Firm's CEO is ultimately responsible for oversight of sustainability-related risks and ESG regulatory risk at the board level. However, the Global COO also sponsors ESG risks from a purely regulatory perspective given her role in overseeing all controls functions at the firm. Additionally, Partners Capital has designated a Global Head of Sustainable Investing who is responsible for the firm's sustainable investing strategy development and reporting. The Global Head of Sustainable Investing is part of the firm's senior leadership and chairs the Global Sustainable Investing Committee. The Firm's sustainable investing strategy and policies are discussed and approved by the Global Sustainable Investing 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. Sustainable investing and ESG regulatory oversight at the board level is thus formalized through both the Audit and Risk Committee and these designated senior leaders.

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

Committee / Team	Roles and Responsibilities
Partners Capital's Board of Directors	<ul style="list-style-type: none"> <li>Partners Capital's Board of Directors is ultimately responsible for governance and oversight of the firm's activities, including sustainability-related risks and opportunities as well as regulatory ESG risks.</li> </ul>
Sustainable Investing Team	<ul style="list-style-type: none"> <li>Implementing Partners Capital's sustainable investing strategy.</li> <li>Overseeing the Asset Manager ESG Integration Survey and assessment process.</li> <li>Preparing the Firm's sustainability-related disclosures and client reporting approach.</li> <li>Training the Investment Team on the Sustainable Investing Policy and escalation approach for identified sustainability risks.</li> <li>Prepare quarterly reports for the Global Sustainable Investing Committee on sustainability-related risks.</li> </ul>
Global Sustainable Investing Committee	<ul style="list-style-type: none"> <li>Committee chaired by the Global Head of Sustainable Investing, includes senior firm leaders and serves as the primary governing body overseeing the firm's sustainability strategy and disclosures.</li> <li>This Global Sustainable Investing Committee escalates material matters to the Board via the Operational Risk Committee (ORC) as needed, based on regulatory, investment, or client risk relevance.</li> </ul>

Audit and risk committee (ARCo)	<ul style="list-style-type: none"> <li>ARCo is the ultimate escalation point for all sustainability-related risks and ESG regulatory matters within Partners Capital.</li> <li>The ARCo meets on a quarterly basis and considers any escalated sustainability risks and ESG regulatory matters at each meeting. Compliance updates to ORC and ARCo include a standing ESG regulatory item which is reported at each meeting on a RAG risk rating system.</li> </ul>
Client Committee <sup>4</sup>	<ul style="list-style-type: none"> <li>Governance for all client decision making, interactions, strategies, reporting and communications, including those related to sustainable investing.</li> </ul>
Operational Risk Committee (ORC) <sup>5</sup>	<ul style="list-style-type: none"> <li>Primary oversight 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.</li> <li>ORC meets on a quarterly basis</li> <li>ORC escalates matters to ARCo when necessary</li> </ul>
Compliance Team	<ul style="list-style-type: none"> <li>Ensure the Firm is kept up to date with regulatory updates with respect to ESG and sustainability risk management.</li> <li>Advising on sustainability risk policies and processes in relation to the Firm's regulatory obligations.</li> <li>Review of client and regulatory disclosures, client communications and marketing materials to ensure greenwashing risk is minimised.</li> <li>Participate in the assessment of third-party asset managers during the Asset Manager ESG Integration Survey.</li> <li>Working with the Sustainable Investing Team and prepare quarterly reports for the Global Sustainable Investing Committee on sustainability-related risks.</li> </ul>
Risk Team	<ul style="list-style-type: none"> <li>Consider sustainability risks when establishing the risk profile (and/or related methodologies) with respect to our client portfolios and pooled vehicles.</li> <li>Monitor investment compliance with ESG Investment guidelines and restrictions with respect to our client portfolios and pooled vehicles.</li> </ul>

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.

### 1.1. 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

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.

## 1.2. 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	<ul style="list-style-type: none"> <li>Oversight of the due diligence and approval process for new third-party funds / asset managers.</li> </ul>
Asset Class Research Teams	<ul style="list-style-type: none"> <li>Assess new third-party funds / asset managers, in line with the established due diligence and approval process.</li> </ul>
Client Head	<ul style="list-style-type: none"> <li>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.</li> </ul>
Client Manager	<ul style="list-style-type: none"> <li>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.</li> </ul>
Asset Class Head	<ul style="list-style-type: none"> <li>Ensure the ongoing monitoring process of the approved third-party funds/ asset managers within their asset class is conducted on an ongoing basis.</li> </ul>
Asset Class Investment Committee	<ul style="list-style-type: none"> <li>Oversight of the ongoing monitoring process of the approved third-party funds/ asset managers within their asset class.</li> </ul>
Pooled Vehicle Portfolio Manager	<ul style="list-style-type: none"> <li>Ensure that investment decisions made within the pooled vehicle are done so in line with the global sustainability risk management framework.</li> <li>Maintain adherence to the pooled vehicle's strategy, including with respect to the agreed sustainability-related characteristics of the pooled vehicle, where applicable.</li> </ul>

## 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 aim to 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 and specific case study examples 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. This reflects the complexity of our investment model, which allocates capital through third-party asset managers across multiple asset classes, including private markets, where emissions data is often incomplete, inconsistently reported, or entirely unavailable. These data limitations, combined with the lack of standardised methodologies and the varied pace of regulatory developments across jurisdictions, make it challenging to set a credible, portfolio-wide net zero pathway at this time.

That being said, our periodic 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. The landscape is also evolving: with a growing number of investors, including some major asset owners, stepping away from the Net Zero Asset Managers initiative, we recognise the need for a pragmatic and flexible approach that is rooted in client-specific sustainability preferences.

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. At the same time, we recognise the same challenges with biodiversity data that we have outlined in the section above on climate change.

We understand that certain clients may have specific goals or policies relating to biodiversity, which may aim to monitor and/or minimise their portfolio's exposure to companies negatively impacting biodiversity or aim to allocate to investments aimed at protecting or promoting biodiversity. In those instances, we will work closely with our clients to design client-specific portfolios in line with those expectations where possible.

## 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 into 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 adopted a Global Sustainability Risk Management Policy which 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 applicable across all legal entities within the Partners Capital Group, including Partners Capital Europe, and 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 part of our global sustainable investing strategy, we seek to embed risk management practices into our investment management processes. 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 in 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, where reasonably possible. More information can be found in the Exclusions section above.

Partners Capital believes that environmental, social and governance (ESG) factors – if financially material – remain important to asset . 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 principal 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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