French Energy-Climate Law
2022 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 2022, with € 756 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 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 2022.

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 process 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 3-year due diligence updates, our quarterly risk reporting and in our periodic interactions.

The most formal assessment comes from our annual 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. Based on the information gathered in the Survey, we assign one of our four ESG classifications to every surveyed manager[2]. For asset managers to receive the highest classification, 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[3]. 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.

(2) Engagement with Asset Managers

We aim to constructively engage with those 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 in which 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.

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[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.

[3] 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.

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.

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[4]. 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 do 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.

[4] 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.

We understand that certain clients, regardless of our firm-wide approach to exclusions, may also seek to exclude additional sectors and/or companies from the investible universe. 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) ESG 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 an ESG 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;

(ii) A set of ESG metrics for the public equities portion of the portfolio (calculated using third-party data);

(iii) The extent to which the portfolio's underlying managers are integrating ESG factors (measured through the classification of managers via our Survey);

(iv) An estimation of the percentage of public equity managers that engage with their investee company management teams; and

(v) The percentage of the portfolio invested in sectors that have the potential to have a positive environmental or social impact (e.g. Healthcare).

Where clients wish to receive the ESG Dashboard, they should speak to their Partners Capital Client Manager.

(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 our annual activities in relation to the integration of ESG factors into our investment processes, 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.

(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, have 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 process. Deeper understanding of climate risks and opportunities enables Partners Capital to better safeguard our investors' assets and enhance long-term value.

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

Partners Capital's Sustainable Investing Team develops and leads the implementation of the firm's global sustainable investing strategy. Led by the Global Head of Sustainable Investing (based in London), the team has day-to-day responsibility for defining the corresponding processes and communicating the strategy within the firm and to our clients. This includes, but is not limited to, developing our Asset Manager ESG Integration Survey and due diligence practices with respect to the integration of ESG, leading and overseeing the firm's third-party asset manager ESG-related engagement processes, supporting with the identification of investment opportunities in the sustainable investing space and implementing our client reporting framework.

Furthermore, the Sustainable Investing Team will support senior management in defining key priority areas of focus for the firm with respect to our global sustainable investing strategy, as well as provide training to the global team.

As of December 2022, the Sustainable Investing Team was made up of five of our global employees. Two of these individuals spend more than 50% of their time focused on ESG aspects, and three 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, that team is also heavily reliant on the broader investment team, which comprises separate portfolio management and research teams, to put its policies and initiatives into practice. For example, our portfolio management 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 the ESG team put in place in relation to managers (e.g. the Survey) is done in conjunction with the research team.

(3) ESG Data Providers

Partners Capital subscribes to a third-party data provider of ESG data, to measure the public equities portion of client portfolios with respect to ESG performance and exposure to sensitive sectors. 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 relation to 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 ESG dashboard.

During 2022, Partners Capital appointed a dedicated Global Head of Sustainable Investing, who is based in London, and added new headcount to the Sustainable Investing Team. 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, that 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's Sustainable Investing Team is headed by the firm's Global Head of Sustainable Investing, who works closely with the Global CEO, providing a valuable reporting channel directly into the Global Partner Group and Board of Directors, and ensuring that senior management are well equipped with the knowledge to understand industry best practices around ESG and sustainability risk management. The firm's global approach to sustainable investing is approved by the Global CEO. To implement the firm's strategy, the Sustainable Investing Team also works closely with other senior leaders of the firm including the Chairman of the Global Board and Chief Investment Officer.

Where a client has specific sustainability-related investment objectives, it will be the responsibility of the Client Head to ensure that these client-specific preferences are incorporated into the management of their portfolio, and adherence to client investment policy statements will be monitored by the Risk and Compliance functions.

The Sustainable Investing Team also work closely with Risk and Compliance to ensure that the firm's Sustainable Investing processes are compliant with relevant regulation and that relevant ESG factors are being embedded into our global risk management frameworks. Material ESG risks that are identified will also be escalated to the firm's Operational Risk Committee and the Global Board of Directors via the Audit & Risk 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 aim to constructively engage with those 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 Section A on 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 own 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 policy 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 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 annual 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 ESG 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 review 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 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 proprietary 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. 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 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 sound sustainability risk management practices into our investment decision-making process.

As outlined above, 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 very 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 exclusions process 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.

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 its 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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