Partners Capital

Sustainable Investing Report

2024–2025

Contents

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Letter from the CEO

We are pleased to share our latest Sustainable Investing Report with you. Now in its fourth edition, this report highlights our progress in sustainable investing over the past year, as well as the opportunities and challenges ahead.

Throughout 2024, we made significant strides in advancing our sustainable investing efforts, including engaging with asset managers on their sustainability and diversity approaches, covering $12.9B of our clients' capital. Our inaugural Task Force on Climate-related Financial Disclosures (TCFD) report reinforced our commitment to transparency in climate risk management. Additionally, with 10 newly approved investments and over $500M invested and committed capital, we strengthened our efforts to enhance diversity within our investment portfolio through our Diverse Manager Initiative.

These advancements come amid an evolving sustainable investing landscape. In 2024, the pace of sustainable product development decelerated and flows into sustainability focused funds globally also continued to slow. Meanwhile, voluntary climate initiatives, such as the Net Zero Asset Managers (NZAM) Initiative and Climate Action 100+, saw an exodus of members, particularly in the US, with some initiatives suspending activities.

Despite these shifts, Partners Capital continues to believe that all financially material risks should be evaluated by our asset managers to safeguard investment returns. This includes sustainability-related risks that may be material for certain investment strategies. Encouraging managers to evaluate these risks facing their portfolios aligns with our mission to deliver long-term investment outperformance for our clients. We will continue to monitor our managers' sustainability-related risk management and engage with managers where we believe their processes are behind their peers.

Turning to impactful investments, we continue to see attractive investment opportunities in certain areas of the global energy transition. Since 2022, we have made over $500M of environmentally focused private equity commitments and remain focused on deploying capital into sectors, companies, and assets that both contribute to and benefit from this transition.

We continue to acknowledge that clients have diverse sustainability preferences, which may differ from our overarching sustainable investing approach. As a result, sustainable investment preferences, such as exclusions or impact allocations, are only integrated into portfolio construction at the request of our clients. This ensures a pragmatic and tailored approach that aligns with each client's specific objectives.

We appreciate your interest in our approach to sustainable investing and value the opportunity to share our insights with you. We welcome your feedback and look forward to engaging with you on this important topic.

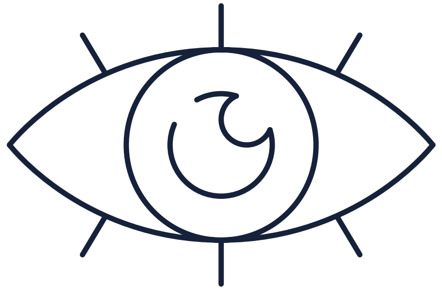
Arjun Raghavan
CEO

Our Affiliations:

PRI Principles for Responsible Investment
IIGCC
Carbon Neutral Organisation

2.

About Partners Capital



For more than two decades, Partners Capital has been an investment partner for endowments, foundations and family offices seeking to build resilient and robust portfolios. Our mission is to deliver sustainable long-term outperformance to our clients by bringing an evolved institutional investment approach to building and managing multi-asset class portfolios – called the Partners Capital Advanced Endowment Approach (AEA). As of 30 September 2024, Partners Capital advises on $63B of assets.

Partners Capital manages bespoke multi-asset class portfolios for our clients, investing across both public and private markets, predominantly through third party asset managers. Partners Capital tailors these investment portfolios depending on a client's investment objectives, risk profile, time horizon, liquidity constraints and sustainability preferences.

The Partners Capital Advanced Endowment Approach is centred on a "Five Spokes" framework, which we believe is crucial to building a resilient portfolio:

1. The **right portfolio building blocks:** most importantly, make the right diversified safety net allocations, tapping into illiquidity premium, and adding sufficient inflation protection.
2. The **right managers:** identify and access managers with true differentiation and investment excellence.
3. The **right partnership structures:** build in value for money. Use scale to negotiate fee discounts, co-investments and customised strategies.
4. **Early-mover advantage:** be ahead of the curve into newer asset classes and investment themes before they become consensus – for example private debt in the early 2010s, litigation financing in 2015.
5. **Rigorous execution and risk-management:** monitor all aspects of risk and rigorously rebalance to a stable risk level to consistently maintain the portfolio's resilience. Leave no stone unturned when optimising portfolio management costs to generate risk-free return improvements.

3. Our Sustainable Investing Principles and 2024 Progress at a Glance

Sustainable Investing considerations are factored into our investment approach and Partners Capital's efforts are centred on five key focus areas[1]:

1. Assessment:

We assess the ESG integration and stewardship approaches of those third-party asset managers with whom we invest through our ongoing communications and monitoring via our Asset Manager ESG Integration Survey.

2. Engagement:

We seek to constructively engage with those third-party asset managers with whom we invest to ensure they are deploying best practice integration and stewardship approaches.

3. Capital Allocation:

We seek to generate additional returns and impact by allocating capital to those managers who have gained investment insights through integrating material ESG considerations. We also allocate capital to companies and sectors contributing to and benefiting from sustainability trends, where it aligns with our clients' sustainability preferences.

4. Exclusions:

We prefer engagement over blanket exclusionary approaches, and therefore we only deploy a minimal firm-wide exclusions policy.

5. Advocacy and Social Responsibility:

We collaborate with our clients, the third-party asset managers we invest with and leading capital owning institutions with the goal of supporting the acceptance and implementation of relevant sustainable investing practices across the financial services industry.

1 Partners Capital Sustainable Investing Policy can be found at https://partners-cap.com/wp-content/uploads/Partners-Capital-Sustainable-Investing-Policy-March-2023.pdf.

Guided by these focus areas, the Sustainable Investing Team completed the following key projects over the course of 2024, further enhancing Partners Capital's Sustainable Investing offering:

- **Manager Engagements:** We engaged with 44 third-party asset managers over 2024, representing $12.9B of AUM. Tailored engagements were designed to address asset class-specific ESG integration. Example outcomes included the development of climate risk assessment frameworks at two large Private Debt managers, development and implementation of ESG scorecard and DEI practices at a Private Equity firm, and implementation of an ESG policy at a Global Equities firm.

- **2024 Task Force on Climate-Related Financial Disclosures (TCFD) Report[2]:** As part of our inaugural Climate Change Report, we outlined our approach to climate change, risk management practices and provided an overview of the carbon emissions of our investments.

- **Diverse Manager Initiative:** In 2024, we committed to 10 newly approved diverse (≥50% underrepresented groups in the financial services industry[3]) funds / co-investments representing over $500M in total investments/commitments.

- **Environmental Private Equity Commitments:** In 2024, we committed over $150M in aggregate across multiple funds/co-investments that we believe are well-positioned to capitalise on investment arising from the global energy transition and deliver positive environmental benefits.

- **Assessment of Manager ESG Integration:** During 2024, 47 new managers[4] were assessed via our Asset Manager ESG Integration Survey as part of the due diligence process. More than 60% of these managers have started integrating ESG considerations into their businesses, and over 25% were scored as ESG Advanced[5] or better on an equal-weighted basis.

- **Impact Assessment Framework:** We developed a structured impact assessment framework, which we aim to use to add further rigour to our underwriting, classification and reporting of potentially impactful investments.

2 Partners Capital Task Force on Climate-Related Financial Disclosures (TCFD) Report 2024 can be found at https://partners-cap.com/wp-content/uploads/TCFD-report-2024.pdf

3 Defined as women and/or underrepresented ethnic groups at the 1) investment committee, and/or the 2) fund ownership level. Underrepresented racial/ethnic groups in United States, Canada, United Kingdom and Australia in the financial services industry generally include individuals who are: Asian, Black, Hispanic / Latinx, Indigenous People, Middle Eastern / North African, and Two or More Races. In all other geographies, our definition for a diverse manager is solely defined as managers having ≥50% representation of women at the 1) investment committee and/or the 2) fund ownership level.

4 47 new managers representing $2.1B of AUM as of 30 September 2024, based on invested and uncalled capital from commitments made after 2018.

5 The four tiers of ESG integration are Yet to Integrate, ESG Initiated, ESG Advanced and ESG Leader. Full definitions for each of these classifications can be found in Appendix 1.

Our sustainable investing governance structure illustrated in Figure 1 is designed to ensure we stay ahead in this space, adapt to evolving regulations and reporting standards, and identify impactful opportunities.

Figure 1: Partners Capital Sustainable Investing Governance Structure

Firm Level Strategy Setting and Risk Management

Global Sustainable Investing Committee
- Firm Level ESG Risk Monitoring
- Review of sensitive and controversial investments
- Approval of Sustainable Investing Strategies and Practices

Quarterly meetings

Sustainable Investing Team
- Development and refinement of ESG practices and strategy
- Development of firm and client level ESG reporting
- Thematic research (e.g., energy transition)

Compliance Team
- Monitoring of ESG and sustainability regulation
- Advising on sustainability risk policies and practices

Monthly meetings

Active Practices and Policies

Committee approvals influence policies and practices

Firm Level Sustainable Investing Policy
- Outlines ESG integration across business, details excluded sectors
- Guides formation of additional policies and frameworks

ESG Due Diligence Framework
- Guides and structures manager level ESG analysis
- Standardises ESG considerations by asset class

Diverse Manager Initiative
- Guides and structures manager sources to adjust for biases

Internal DEI Practices
- Guides and structures manager level ESG analysis

Figure 1: Partners Capital Sustainable Investing Governance Structure

Integration of Active Practices and Policies in Investment Process

Finalised practices and policies are shared with the team, training is provided

Investment Sourcing
- Influenced by Diverse Manager Initiative
- Influenced by thematic research

Investment Approval
- Approval influenced by ESG Due Diligence

Investment Monitoring
- Governed by firm level ESG policy

Capital Allocation

Impact of practices and policies flows down into approved funds which client capital can be invested in. However, client preferences also play a significant role.

Sustainability Preferences
- Clients may want to minimise allocations to certain sectors or wish to allocate to potentially impactful sector

Approved Products
- Partners Capital investment universe is influenced by active practice, policies and thematic research

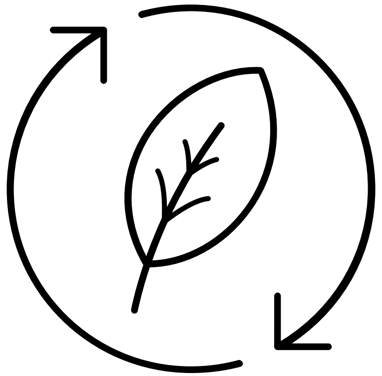
Client Reporting

Once the portfolio has been constructed in line with client preferences, consolidated reporting on ESG integration is provided to clients

Manager ESG Integration Practices
- Responses to proprietary ESG survey combined with holdings data to provide clients with an overview of manager ESG engagement practices

ESG Data Metrics
- Third-party research leveraged to present exposures of public equities portfolio vs. relevant ESG risk factors

4. Sustainable Investing Market Landscape



We have been highlighting for over two and a half years that ESG as a concept has been at a critical juncture and that has only intensified in 2024. The pushback against ESG began as early as 2022, driven by several factors including concerns about the performance of ESG funds, heightened focus on energy security, geopolitical tensions, and increasing cases of greenwashing. These issues have collectively fuelled growing scepticism about ESG.

The momentum of sustainable fund inflows began to slow toward the end of 2021, culminating in negligible global sustainable fund inflows in Q4 2023. While there has been a modest recovery in fund inflows in 2024 to September, the overall pace of sustainable product development has continued to decelerate globally. The divergence across geographies also remains, with the US experiencing multiple consecutive quarters of outflows from sustainable funds[6]. Although investors have generally shifted away from exclusionary policies and approaches, they have been adopting more nuanced approaches such as ESG integration and impact investing. We have long been of the belief that the integration of ESG risk factors can lead to improved investment outcomes and this mainstreaming of sustainability considerations in investing is growing.

6 Morningstar.

Market Outlook

The future of the sustainable investing landscape under the new US administration does however remain uncertain. President Trump has paused over $300 billion in federal infrastructure funding designated for clean energy projects, affecting initiatives supported by the Inflation Reduction Act. An executive order has also temporarily halted offshore wind lease sales and paused permits for onshore and offshore wind projects. The moves align with the administration's focus on bolstering fossil fuel development and may deter investments in renewable energy sectors. The process to withdraw the United States from the Paris Climate Agreement has also been initiated, increasing the possibility that progress on international coordinated climate policies may be hindered. The new administration is also expected to revise the SEC's rulemaking agenda, which could result in the suspension or rescission of climate disclosure rules implemented to date.

Despite these potential shifts in US policy, Partners Capital will maintain our pragmatic, client-focused approach, adapting as necessary to align with evolving best practices in the market. This approach ensures we remain committed to investing in ways that reflect our clients' sustainability preferences.

We remain optimistic about the future of sustainable investing, as we believe global investor expectations will remain steadfast, regardless of changes in US policy. Institutional investors who have integrated ESG considerations as a risk management tool or who are focused on sustainability themes, such as the energy transition, will continue to do so in the future. Similarly, mission-aligned investors supporting charitable causes will persist in their sustainable investment efforts.

Moreover, existing frameworks like the EU's Corporate Sustainability Reporting Directive (CSRD) will continue to drive progress by requiring companies, including some non-European-based multinational firms with significant operations in the EU, to report on material sustainability issues relevant to their business models. These disclosures enhance transparency and help attract capital. Additionally, the International Sustainability Standards Board (ISSB) is anticipated to continue to play a vital role in harmonising corporate sustainability disclosures globally.

We anticipate the 2025 ESG agenda will be increasingly shaped by the critical need for innovative solutions to address climate and social challenges and the growing demand from investors for greater transparency and accountability. While progress in sustainability reporting is expected to bring more consistency, the intersection of climate change and transformative technologies, particularly the rise of artificial intelligence (AI), will have a significant impact on the future of sustainable investing strategies and practices. These themes will not only redefine how we approach sustainability but also unlock new opportunities and challenges within the sustainable investing landscape.

Decarbonisation

2024 is expected to be the warmest year on record[7] and the first in which global temperatures exceed 1.5°C above pre-industrial levels. While this does not signify the breaking of the Paris Agreement's goal to limit warming to 1.5°C (which references long-term averages over a 20-year period), it highlights the reality that we are not yet on track to meet the energy transition pathways deemed necessary.

In recent years, there has been progress globally in efforts to reduce greenhouse gas emissions, with both governments and corporations stepping up their commitments to combat climate change. For instance, the number of companies setting emissions reduction targets through the Science Based Targets initiative (SBTi), a leading global standard-setter for corporate climate goals, increased from 164 in 2018 to over 7,000[8] by January 2025. However, despite these advancements, the past year has also seen hundreds of companies either drop or fall short of their carbon reduction targets. This shortfall is largely attributed to challenges in emissions data accuracy and the rising energy demands of artificial intelligence (AI) technologies, which have intensified pressure on sustainability commitments.

Collaborative investor networks such as Climate Action 100+ and the Net Zero Asset Manager (NZAM) or Net Zero Banking Initiatives have faced significant challenges with several prominent signatories withdrawing in 2024 and the beginning of 2025, citing concerns over regulatory scrutiny and legal risks. NZAM has suspended its activities for the time being and removed formal membership requirements, instead inviting collaboration from all financial institutions willing to address energy transition challenges. The move is also intended to increase participation from emerging markets, which often have later net-zero goals and represents a re-orientation rather than a collapse of interest in climate goals, with a focus to mobilise capital.

Progress at COP29, held in November 2024, was also mixed. While there were notable agreements on climate finance and carbon markets, the agreed-upon climate finance target falls significantly short of addressing the scale of the climate crisis, particularly in supporting the financial needs of developing nations.

7 World Meteorological Organisation.
8 https://sciencebasedtargets.org/.

UN Climate Change Conference (COP29) Key Takeaways:

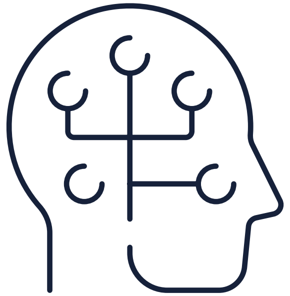
- New global climate finance target: Increasing financing to developing countries for climate action to $1.3T annually by 2035, including $300B (increase from $100B goal agreed in 2009) to support vulnerable nations in building resilience, expanding energy access and fostering sustainable development.
- Global carbon markets mechanism: Agreement on guidelines for carbon trades between countries and a centralised carbon market mechanism. This provides a framework for countries to begin trading carbon credits and may unlock significant funding for climate action while enabling countries to meet their emissions targets more efficiently.
- Updated national climate plans: Several countries announced the second update to their National Determined Contributions (NDCs), which was positive and ambitious. However, discussions on "transition away from fossil fuels", agreed as part of the Global Stocktake (the process to assess global progress toward meeting international climate goals every five years) in COP28, were deferred, jeopardising progress toward achieving the goals of the Paris Agreement.

Partners Capital remains committed to identifying credible and impactful opportunities in the energy transition space. However, this remains a challenge, as many climate-focused strategies entering the market are led by teams with limited domain expertise. As a result, we take a deliberate and cautious approach to capital deployment in this sector, focusing on managers with proven experience and deep industry knowledge.

Technology and AI

Artificial intelligence will have a significant environmental, social and governance impact. The growing concerns around greenwashing have amplified the need for higher-quality and more reliable ESG data. AI has the potential to address these challenges by processing vast amounts of structured and unstructured data, as well as improving the accuracy and timeliness of ESG information. Enhanced ESG data can drive greater transparency, refine how organisations measure and develop their sustainability practices, and ultimately lead to better-informed decision-making.

Similarly, leveraging AI's ability to process vast datasets and identify patterns and generative predictive insights can improve asset managers' risk management and enhance portfolio construction. Those who successfully integrate AI to evaluate financially material ESG risks and opportunities within their investment processes are likely to gain a competitive advantage in this rapidly evolving landscape.



However, while technological advancements like AI offer opportunities to tackle sustainability issues, they will need to be balanced with the significant challenges they pose. Training large machine learning models consumes vast amounts of energy and water, with AI-powered data centres also requiring massive amounts of water for cooling systems.

AI also presents significant risks to employment and workforce stability with job displacement, widening skills gap and potentially increased inequality. Governance issues are also prevalent as AI systems introduce privacy risks alongside regulatory and operational concerns, emphasising the need for transparency and strong human oversight. Management boards will play a critical role in ensuring corporate strategies balance innovation with risk management.

Environmental Impact

Energy and Water Consumption: AI tools and associated infrastructure are extremely resource-intensive and have significant carbon footprints and water usage. Training one deep learning model may use up to the same carbon footprint as the lifetime emissions of 5 cars[9], whilst cooling AI-powered data centres also requires massive amounts of water.

Green Technology: All industries will adopt innovative technologies to reduce emissions and improve energy efficiency through enhanced energy optimisation.

Climate Modelling and Risk Assessments: Advanced machine learning algorithms should improve the accuracy of climate models, helping businesses as well as asset managers plan for extreme weather events or long-term climate changes. Enhanced climate risk assessments allow for improved investment decision making by asset managers.

Supply Chain Sustainability: AI identifies inefficiencies and environmental risks in supply chains, promoting greener practices as well as waste reduction and enhanced recycling processes. Asset managers can use this as an engagement tool with portfolio companies.

9 Source: Energy and Policy Considerations for Deep Learning in NLP.

Social Impact

Workforce Analytics: AI tools monitor workplace conditions, diversity metrics, and inclusion initiatives, offering actionable insights to improve employee well-being and other important social issues. Businesses will be more easily held accountable for workforce diversity and pay equity, especially in leadership roles, as societal pressure grows.

Labour Force Disruption and Inequality: AI-driven automation can replace jobs that involve repetitive, rule-based tasks. There will likely be an increased mismatch between job requirements and workforce skills, with increased inequality and wage polarisation.

Accessibility: AI can enhance access to healthcare, education and financial services, improving social outcomes, especially in underserved areas.

Biases: Machine learning-enabled systems can include a variety of prejudices, from those that confirm preexisting data trends to those that sample only selected members of a population. E.g., AI-based hiring tools can make prejudiced decisions against certain ethnicities and genders.

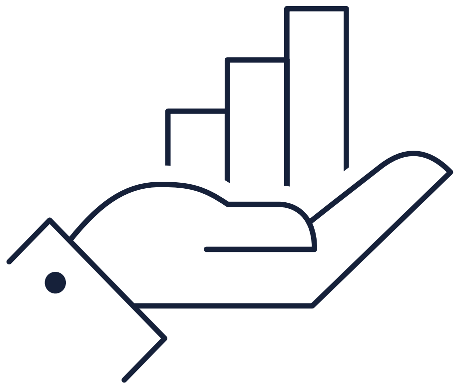
Governance Impact

Data-Driven Decision Making: AI-driven analytics provides board members and executives with actionable insights, enabling more informed corporate decisions. AI models can help predict and quantify governance-related risks, such as corruption or cybersecurity threats, allowing for more proactive measures and improved risk management.

Regulatory Compliance: AI systems can help identify potential regulatory breaches to drive improved business governance practices. Although AI can further streamline compliance with regulations through more automated reporting, this introduces further risks through accidental breaches and so human oversight remains essential.

Fraud Detection and Prevention: AI algorithms can identify anomalies and patterns indicative of fraud, enhancing financial and operational integrity.

5. Three Levels of Influence



In addition to the Partners Capital Sustainable Investing Policy which defines our approach to ESG integration, monitoring and impact investing, we believe it is important to think about the broader, levered impact that we can have as a business. We view this impact across three dimensions based on which we structure the remainder of this report:

1. Community

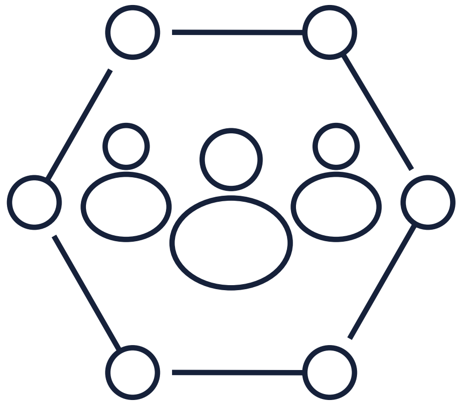
We as a firm can have direct positive influence on the community, through our work with charities, through our donations, work with local communities, and our diversity, equity and inclusion (DEI) approach.

2. Asset managers

By engaging with our managers to support them in improving their ESG and DEI practices over time, we have a levered influence that extends beyond our firm and clients to other investors investing via the same third-party managers.

3. Investments

The investments of our managers may have a direct influence on society and environment, and we are attempting to quantify and qualitatively assess these impacts.



1. Community

Diversity, Equity and Inclusion at Partners Capital

Partners Capital is committed to cultivating and sustaining a diverse workforce and inclusive work environment, two things which we believe are vital to our mission to deliver excellence to our clients. Our Firm has established and monitors goals and corresponding measurement mechanisms to hold ourselves accountable and execute our commitment to DEI. There are three core goals which focus on culture, talent and leadership. In pursuing these goals, we work on several areas including education, talent acquisition, partnerships and mentoring.

Partners Capital Diversity, Equity and Inclusion Objectives and Progress

Objective #1: Culture

Increase Inclusivity in the Workplace

DEI Council: Our employee-led DEI Council promotes DEI awareness and education, in addition to being day-to-day ambassadors in their local offices. This year we welcomed three new global DEI Council Leads to enable more team members to be actively involved in supporting our DEI agenda. The global team have benefited from programming for numerous spotlight months including Women's History Month, Pride and Latinx and Hispanic Heritage month. Programming included speakers, learning sessions, trivia and other social activities to honour the heritages being celebrated.

Education: Education and awareness are critical to our DEI efforts. Every Partners Capital team member completes our unconscious bias and inclusion training, which we facilitate globally to foster cross-boarder collaboration. This year we launched new Anti-Harassment and Anti-Discrimination training to further emphasise our commitment to this topic. Finally, we endeavour to infuse inclusion into all of our trainings, including our leadership programs and other required training.

Partners Capital Diversity, Equity and Inclusion Objectives and Progress – Continued

Objective #2: Talent

Recruit and Retain a Diverse Workforce at all Levels

Talent Acquisition: We aim to foster an inclusive recruitment experience for all Partners Capital candidates. Leveraging best practices and learnings, we have further enhanced our talent acquisition approach and interview training to ensure all searches are run consistently and inclusively. In addition, we have also enhanced our sourcing methods to enable diverse talent pipelines.

Partnerships: This year we welcomed a new partner, Code First Girls. Their mission is to close the gender gap in technology by providing employment through free education. In addition, we continued to partner with organisations support our DEI goals including Seizing Every Opportunity (SEO), 10,000 Interns Foundation, GAIN and Grace Farms Foundation.

Measurement: Measuring progress is critical to our DEI ambitions. This year, we updated our DEI goals to further challenge ourselves and drive progress. In addition, we updated our reporting and accountability structures to refine how we are providing transparency and driving results across the Firm. We launched our bi-annual pulse survey in September, where we reported an increase of our inclusion score, one of the key metrics we use to measure inclusion.

Objective #3: Leadership

Increase the Retention and Development of Diverse Leaders

Women's Leadership Network: Our women's leadership network aims to create engaging, supportive and inclusive spaces for women at Partners Capital to foster a sense of community, enhance career development and mentorship, and uplift women in their personal and professional lives.

Mentorship: We believe that mentorship opportunities are critical to retaining a diverse workforce. Since 2023, we have partnered with the 30% Club, a global mentoring program for women. In total, 56 mentees and mentors have participated globally. Participation will continue in 2025 in addition to the launch of the Lean In Circles program.

Talent Development: Our values are core to who we are at Partners Capital. We continue to embed our values, culture and DEI priorities into our talent development processes. We updated our Firm objectives this year, which include a revised inclusion and stewardship objective. This objective aims to reinforce the inclusive and respectful behaviours expected of all Partners Capital team members. In addition, we have incorporated our values into our performance development process and our milestone leadership programs.

Spotlight: Giving Back/Charity Work

Our goal is to make a difference in the communities we serve and engage our team to do good. In 2024, we have benefited more than 20 organisations via a combination of donations and volunteering. Causes we served in 2024 supported wildlife preservation, cancer research and care, the LGBTQIA+ community, domestic abuse prevention, individuals with disabilities, children in foster care, and fighting poverty and hunger. We have supported charities in Europe, Asia and the US (such as SOS Children's Villages, The Felix Project, Doctors without Borders, and The Rainbow Centre), creating impact in our teams and communities around the world. More recently, we became part of a special donation group called the Dana-Farber Cancer Institute's President's Circle.

Partners Capital Operational Carbon Footprint

In 2024, we partnered again with Carbon Footprint Ltd to calculate and offset our operational carbon footprint for 2023. This project covered direct emissions from heating, electricity, and travel (Scope 1 and 2), as well as indirect emissions from staff commuting and purchased goods/services (Upstream Scope 3). Between 2022 and 2023, Partners Capital reduced its Scope 1 and 2 emissions by 49% and also reduced its per employee emissions by 3% to 6.1 tonnes of CO_2 per employee. In total, Partners Capital's operations generated 2,162 tonnes of CO_2 in 2023, which we have fully offset using the Gold-standard projects listed below:

India

Solar PV Plant

- 927 MW solar power plant across 26 sites in Gujarat, Karnataka, Madhya Pradesh, Rajasthan, and Telangana, India
- The project will create various short and long-term employment opportunities to the local community
- Total projected emissions reduction of 1,767,281 tCO_2e per annum
- 1,442 tonnes of CO_2 offsets purchased by Partners Capital

Zambia

Western Province Safe Water

- Rehabilitation and maintenance of safe water sources across rural Zambia, with 438 boreholes rehabilitated to May 2023
- Improving access to safe water sources reduces the need for woodburning for water purification preserving forests and improves health outcomes
- Total projected emissions reduction of 70,000 tCO_2e
- 721 tonnes of CO_2 offsets purchased by Partners Capital

2. Asset Managers

Diverse Manager Initiative

Our key investment objective as a firm is to find and invest in what we believe to be the most talented managers that will deliver exceptional performance. The goal of our Diverse Manager Initiative is to expand our sourcing funnel in this search for exceptional managers, and to reduce selection biases that are not tied to prospective results.

We have taken the view that we need to be more purposeful in our efforts to source diverse managers to ensure we are accessing talent that may not come through traditional sourcing and capital introduction networks. Members of our research team attend multiple conferences annually focused on connecting diverse and emerging managers with LPs. Creating the broadest sourcing funnel possible provides us with market colour, expands our network, and allows us to find new managers at the early stages of their institutional fundraising journey.

Although many of the managers that we meet with are too early on in their lifecycle for us to engage with on more rigorous due diligence, our internal system allows for us to track those interactions and build a pipeline for future engagement as managers reach a point of maturity as to meet our firm level investment criteria.

Within 2024, we committed to

10

newly approved diverse funds / co-investments representing

c.$502M

in total investments/commitments.

DEI Progress of Existing Managers

Since 2019, Partners Capital has been integrating DEI into our relationships with asset managers, driven by the belief that strong DEI policies and practices are vital for better long-term decision-making, including investment decisions. As part of our due diligence, teams capture information on managers' DEI practices and diversity at the ownership and investment committee levels. This information is assessed through the "Progress" component of our 7Ps framework[10], used by our Asset Class Investment Committees to evaluate opportunities.

Our commitment is further reflected in DEI-specific questions included in our periodic Asset Manager ESG Integration Survey, which received 190 responses in 2023, equating to c.$44B of our overall AUM[11], and adjustments to underwriting criteria to reduce biases.

Based on our efforts in 2023, when we enhanced diversity data collection and transmission across research teams, introducing the systematic collection of DEI data points for new managers and tracking diversity metrics within investment teams, we will continue to work on improving our efforts to enhance the DEI practices of our managers. Managers not meeting our DEI criteria may become engagement targets.

Manager Engagement Programme

This section of the report reflects on progress made in Partners Capital's asset manager engagement programme over 2024 and outcomes from the programme so far. Whilst strong progress was made over the course of 2024, we expect that due to the current US administration's stance on topics such as DEI and ESG we will have to apply a more targeted approach to engagement with some of our US-based managers over 2025 and beyond.

Engagement Programme Design

Our engagement programme prioritises Partners Capital's largest fund manager relationships that were 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[12].

Partners Capital is able to assess 237 asset managers across six pillars of ESG integration[13]. Assessments are then used to provide feedback to managers, highlighting where they are behind their peers, and to work with them to improve.

Manager engagements are typically structured around four steps:

10 Partners Capital uses a "7Ps" process to underwrite asset managers. We typically spend more than 300 person hours during our manager due diligence process including on-site diligence, quantitative research, extensive reference checks, and operational and legal due diligence. The 7 P's comprise Investment Philosophy, Process, People, Performance, Partners, Price and Progress.

11 This figure is based on September 2023 holdings and uncalled illiquid commitments made since 2016 and survey response received as of 31 December 2023.

12 Based on invested and uncalled capital from commitments made after 2018.

13 The six pillars are Policies and Infrastructure, Due Diligence, Investment Decision Making and Portfolio Management, Climate Change, Asset Class Specifics, Measurement and Reporting, Diversity, Equity and Inclusion (DEI).

1. Education and Expectations Setting

Initial meeting

- Outline importance of ESG to Partners Capital and its clients, outline expectations for the manager.
- Assist managers with ESG and DEI policy implementation.
- Provide managers with feedback on their performance vs. peers. Educate on materiality frameworks and available third-party ESG data providers (where additive to the investment strategy).

2. Policy and Execution Review

+ 6 months from initial meeting

- Seek out proof statements that indicate policies are being adhered to.
- If policies are not being adhered to, expectation setting will be revisited.
- Continue education on materiality frameworks and push for implementation.

3. Review progress on ESG integration in investment decision making

+ 12 months from initial meeting

- Seek out proof statements on ESG integration in investment decision-making.
- Deep dive on best practice asset class-specific ESG integration.
- Asset class heads and research analysts provided with a progress update report.

4. Progress Review

+18 months from initial meeting

- If sufficient progress has been made, engagements may be de-prioritised subject to new developments that may warrant further discussion.
- If no progress has been made, joint engagements may be carried out with asset class heads and the Sustainable Investing team, expectation-setting will be revisited.

CASE STUDY

Manager Engagement

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. Further detail on the successful engagement is given below.

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[14].

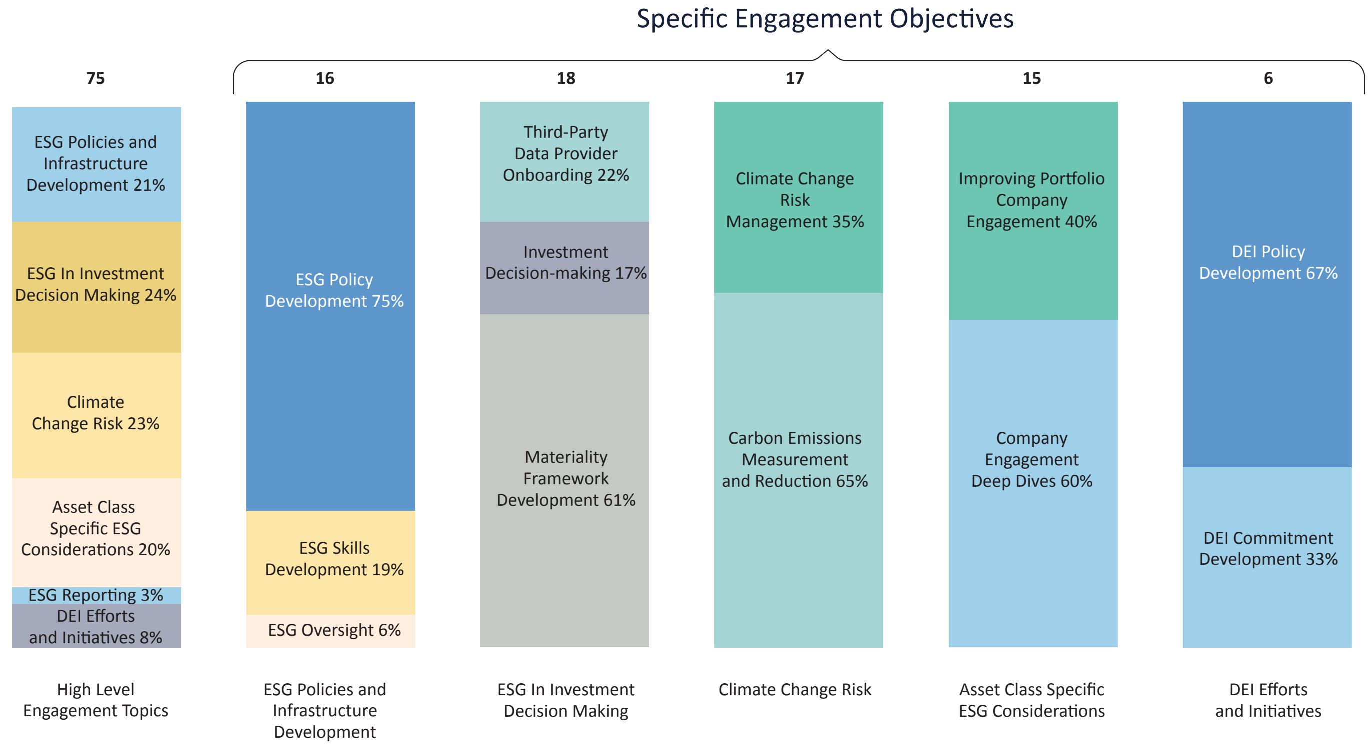
14 The four tiers of ESG integration are Yet to Integrate, ESG Initiated, ESG Advanced and ESG Leader. Full definitions for each of these classifications can be found in Appendix 1.

Progress to date

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. Over 2025, we will need to focus even more on engaging managers on ESG in investment decision making and asset class specific ESG considerations. This is because we believe that some of our US-based managers will be less likely to make high level or public commitments to ESG and DEI as a result of the current market environment.

In 2024, managers have made positive progress on 31% of the objectives set by Partners Capital to date, with the strongest progress being made on climate change risk management, collecting examples of company engagements, and working with managers to improve portfolio company engagement processes.

Figure 2 – Summary of engagement focus areas by high level topic and specific objectives



Notes:
Based on realised Partners Capital engagements made over the course of 2024.

Figure 3 – Engagement programme summary statistics

The Engagement Programme by Numbers

Asset Class	Managers Engaged	AUM
Absolute Return	7	$2.6B
Credit	2	$0.7B
Global Equities	10	$3.0B
Hedged Equities	6	$1.5B
Private Debt	9	$3.9B
Private Equity	10	$1.4B
Total	**44**	**$12.9B**

Summary of Managers Engaged	Data
Number of Managers Engaged in 2024	**44**
Total AUM Engaged	**$12.9B**

Notes:
Figures may not sum due to rounding.

The engagement programme has targeted managers across both liquid and illiquid parts of our overall asset manager universe. The largest engagements by AUM have focussed on Private Debt and Global Equities managers.

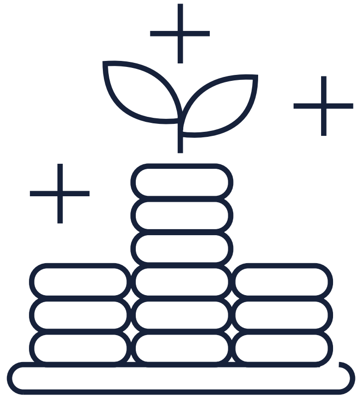
31% of 2024 engagements progressed positively, with managers taking on board our feedback. Examples of progress include the integration of ESG considerations into investment decision making, development of ESG KPI tracking, and development of ESG and DEI policies. For 5% of objectives, managers have indicated they are not currently willing to change processes or policies based on our feedback. The majority of engagements are still in relatively early stages and managers have not yet committed to making changes.

3. Investments

Impact Landscape and Opportunities

While the sustainable investing landscape has been fragmented and complex, in general investors have moved away from exclusionary policies and approaches towards more nuanced investing principles – ESG Integration and Impact Investing.

ESG Integration: The belief that 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. As such we look for substantial evidence from our managers as to what their ESG integration approaches look like including materiality frameworks, use of ESG data, and how ESG risks and opportunities are considered in investment decisions.



Impact Investing: Investments made with the intention of generating direct and measurable positive social or environmental outcomes alongside competitive investment returns. This approach bridges the gap between traditional investing and philanthropy by directing capital towards projects, companies, or funds that address pressing global challenges such as climate change, inequality and access to education or healthcare. By fostering innovation and supporting sustainable business models, we believe impact investments play a critical role in creating long-term value for society while addressing some of the world's most complex issues.

CASE STUDY

Impact Investment

Company overview

Company A recycles unsold retail food in the US. Any edible food is distributed to communities in need, while the remainder is converted into renewable electricity, renewable natural gas and nutrients for fertiliser.

Investment rationale

Company A had proven operations at entry, including an established set of food retailer customers and a logistics strategy for taking waste to processing facilities. There was also an actionable pipeline of new projects with supply in place. The manager believes there is strong demand for renewable natural gas (RNG) both in regulated and voluntary markets in the US, with long-term offtake contracts available to derisk new projects.

Impact

Company A partners with food retailers to prevent food going to landfill and emitting greenhouse gas emissions as it decomposes. The offering helps to address emissions from energy, waste and food, agriculture & forestry, which together accounts for c. 58% of global emissions. In 2023, over 2.2M meals were donated.

Sourcing investments that deliver both uncompromised returns and clear, meaningful environmental or societal benefits is challenging. However, the energy transition remains a key focus area for such opportunities, as climate change is the biggest sustainability challenge worldwide, with a growing gap between ambition and reality. Although global investment in the energy transition has surged in recent years, reaching $1.8T in 2023 and over $2T expected to be invested in clean energy technologies and infrastructure in 2024[15], this remains short of the $3-7T of annual investment (or 3-7% of global GDP) that most experts forecast is needed to keep us on track to achieve global climate goals.

15 https://www.iea.org/reports/world-energy-investment-2024/overview-and-key-findings.

Figure 4 – Global Investment in Energy Transition

Sources: Emissions and expected warming from Climate Action Tracker, 2100 Warming Projections, December 2023. Required investment based on Bloomberg NEF, January 2024 and Statista, April 2023. Private Markets Clean Tech Investments data take from McKinsey Global Private Markets Review 2023). Climate tailwinds statistics from Climate Action Tracker (November 2023), McKinsey (October 2022) and Ember (2023).

The broader impact investing market has experienced significant growth in recent years, but there remains a significant mismatch in allocated and required capital to meet global sustainability needs. C. $4.2T[16] of investment is needed annually to achieve the UN Sustainable Development Goals (SDGs) by 2030, emphasising the importance of further mobilising meaningfully more public and private capital to bridge the financing gap. Therefore, as the scale and breadth of impact-related investments proliferates, advancing towards the 2030 targets, our underwriting needs to be sufficiently rigorous such that we understand the intentionality and additionality of the investments and so that we can report on outcomes in the future, where possible. We have developed an initial framework to help evaluate prospective investments in our diligence process and for use in ongoing monitoring, especially for private market funds as capital is deployed.

16 United Nations, Inter-agency Task Force on Financing for Development, Financing for Sustainable Development Report 2024: Financing for Development at a Crossroads.

Impact Assessment Framework

A) Background

Partners Capital has made significant progress on our impact program in recent years. Notably, we have made more than $500M of environmentally focussed Private Equity commitments since 2022, primarily investing behind the energy transition. As part of our underwriting of these commitments, we have taken a case-by-case approach to impact assessment. During 2024, however, we have started developing a more structured impact framework, that we aim to apply more holistically to our existing portfolio and any future investments we may make that have the potential to generate positive impact. We believe this framework will add further rigour to our underwriting, classification and reporting of such investments going forward.

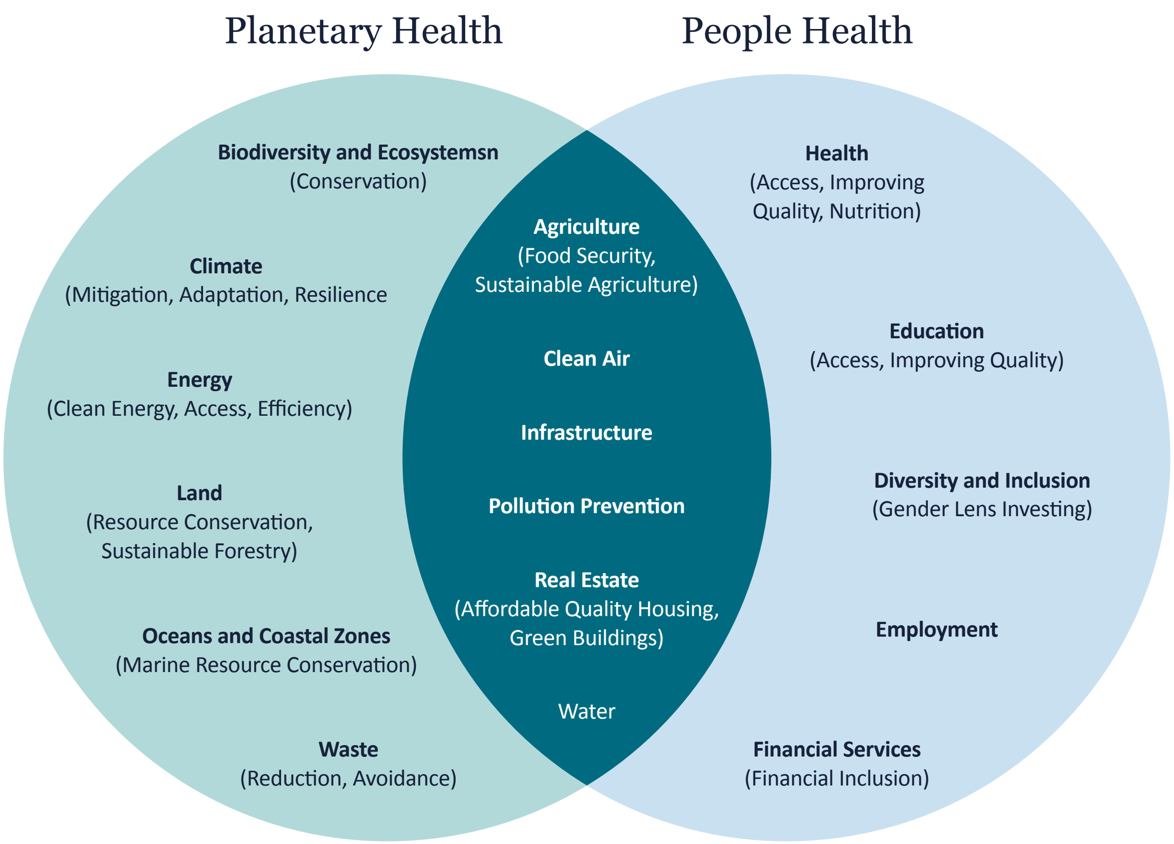
While many third-party impact frameworks exist in the market today, and we recognise that considerable progress has been made in recent years, our detailed research into these concluded that these do not fit well with our endowment-style investment approach. Most frameworks in the market today focus on underlying companies, while most of our assets are invested indirectly via third-party managers. Our investments also span several asset classes including Public Equity, Private Equity, Private Debt, Absolute Return, Liquid Credit and Real Estate; data availability, notably within private markets, falls well short of the level required to implement existing third-party frameworks.

B) The Framework

As such, we decided to develop a proprietary impact assessment framework that draws upon existing frameworks while also being fit-for-purpose for endowment-style, multi-asset class investors such as ourselves. The key components of our framework are i) an impact taxonomy that defines themes and/or sectors that we believe can contribute to positive impact, ii) a manager-level assessment, and iii) a company-level assessment. Finally, where available, we aim to track any relevant impact metrics.

Our impact taxonomy, which draws upon existing taxonomies in the market, distils several different impact areas that we believe are relevant to financial return-seeking impact investors into two primary impact themes: Planetary Health and People Health. We note that certain sub-themes within impact span both planetary and people health as shown on the next page.

Figure 5: Partners Capital Impact Taxonomy[17]



This first feeds into our manager-level assessment, whereby a strategy's investment scope should fit one or more aspects of our impact taxonomy. Additionally, we evaluate a manager's policies and processes, looking for clear evidence that impact is integral to their value proposition and that they have a structured impact framework in place.

17 Formulated through market research of existing third-party taxonomies and Partners Capital analysis.

Figure 6: Impact Assessment Framework Overview

Guided by Impact Taxonomy	
Manager Level Assessment →	**Holdings Level Assessment** →
• Does the strategy's investment scope fit one or more aspects of our impact taxonomy? • Does the value proposition include impact, for example, as evidenced by marketing materials, the manager's articulation of the strategy, inclusion of impact as part of the investment process, etc? • Does the manager have an impact assessment framework that is applied during underwriting and is there a minimum threshold that prospective investments must meet?	Using a clear understanding of what a company does, can we: • Clearly articulate why we believe a company's activity is impactful? • Categorise the company into one of two impact themes from our taxonomy?. • Categorise the company's activity into one of eight impact levers, four of which fall under Planetary Health and four fall under People Health? We must be able to complete this analysis for a company, otherwise we assert that company is not impactful under the terms of our framework.

Subject to the strategy's investment scope fitting at least one aspect of our impact taxonomy from this assessment, we also conduct a more detailed holdings-level assessment (see Figure 7). Our assessment framework relies on having a clear understanding of what a company does, which we use to i) clearly articulate why we believe a company's activity is impactful; ii) categorise the company into one of two impact themes from our taxonomy; and iii) categorise the company's activity into one of eight impact levers. If for whatever reason we cannot complete this analysis for a given company, we assert that the company is not impactful, at least under the terms of our framework. Finally, where we have company-level impact metrics available (either reported by the manager or the company itself), we track these metrics, which forms the final component of our framework.

Figure 7 – Company-Level Assessment Overview[18]

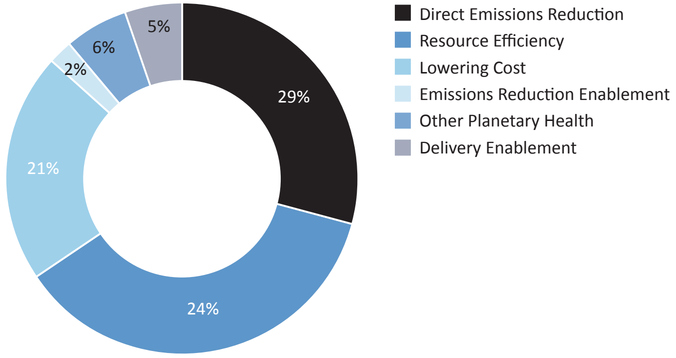
Impact Theme	Impact Lever	Impact Lever Description	Example Company	Example Impact Metrics
Planetary Health	Direct Emissions Reduction	Directly enables emissions reduction, avoidance or capture.	Offshore wind company that develops and owns offshore wind energy and infrastructure.	Tonnes of CO_2 equivalent avoided or abated
Planetary Health	Emissions Reduction Enablement	Products or services that enable emissions reduction, avoidance or capture.	Enterprise software utilised by renewable energy project owners enabling effective operations and maintenance.	Tonnes of CO_2 equivalent (indirectly) avoided or abated
Planetary Health	Adaptation and Resilience	Products or services designed to improve adaptation and resilience against the physical impacts of climate change.	Parametric insurance provider that offers pre-specified payouts based on extreme weather events.	Cumulative value of assets under coverage
Planetary Health	Resource Efficiency	Doing more with less and optimising scarce resources such as land and water.	Recycling business that redirects waste that would otherwise go to landfill.	Tonnes of waste redirected from landfill
People Health	Innovative Models	Products or services that innovate incumbent systems.	Clinical-stage biopharmaceutical company dedicated to developing novel therapeutics for respiratory diseases.	Number of new therapies developed
People Health	Broadening Access	Making a product or service across health, financial services, education, etc. more accessible.	Provider of special education programs, therapy services and support to students with learning disabilities.	Number of people provided with access to treatment
People Health	Lowering Cost	Reducing the cost of a product or service relative to incumbent/traditional model.	Advisory service that provides independent and objective advice on Medicare decisions to minimise cost and complexity.	Estimate of dollars saved
People Health	Delivery Enablement	Products or services that enable the delivery of impactful solutions.	Outsourced provider of technical services, primarily serving the life sciences industry.	Number of skilled jobs created

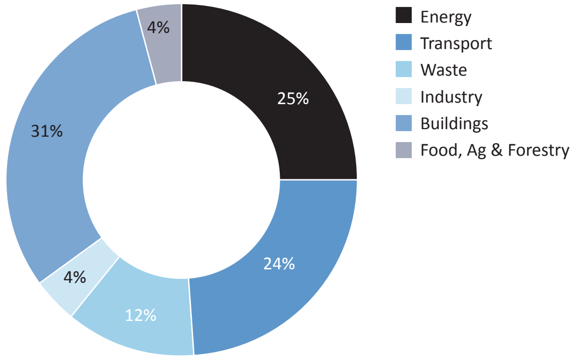
18 We also categorise companies into "Other Planetary Health" and "Other People Health" if the principal business activity is not captured by the eight impact levers but where we believe the company is impactful.

C) Application

As noted previously, we have made more than $500M of environmental impact-focussed Private Equity commitments since 2022, primarily investing behind the energy transition and across our core focus areas of private equity buyout, venture capital and infrastructure. While many of these commitments are still early in their deployment, we have applied our framework to illustrate how the current underlying investments across those commitments are currently categorised by impact lever, as well as across climate categories, which represent the six key contributors to greenhouse gas emissions that underlying investments seek to address. Currently, c. 85% of the program is invested in companies that directly and indirectly enable emissions reduction as well as those focused on reducing waste through the re-use of materials. The program's largest allocation is in the waste sector driven by sizeable commitments to a few managers focused on resource efficiency. Meanwhile, allocations to the energy, industry, and transport sectors are generally proportional to their contributions to global emissions. We note that as the underlying managers continue to deploy capital, these allocations will change over time.

Figure 8 – Environmental Impact-focused Commitments by Impact Lever and Climate Category Overview[19]





We also highlight five specific company examples from these commitments in Figure 9, providing further insight into how our impact framework is applied at the company level.

19 Based on valuations as of 30 September 2024 and cashflows over Q4 2024.

Figure 9 – Company Examples

Company Description	Impact Summary	Impact Theme	Impact Lever	Impact Metrics
Provider of waste management, recycling and environmental services	Company collects and processes waste which is either sent for recycling and material recovery, energy recovery, or landfill. The company's activities reduce the amount of waste that would otherwise go to landfill.	**Planetary Health**	Resource Efficiency	Handled 2M tonnes of waste during 2023, with 55% sent to recycling and material recovery, 41% to energy recovery and only 4% landfilled.
Mechanical plastic recycling platform	Recycled plastic can offset the use of virgin plastic, which involves fossil fuel-based inputs and has a is carbon-intensive production process.	**Planetary Health**	Resource Efficiency	Estimated to have enabled the avoidance of 61,000 tonnes of CO_2 equivalent in 2024.
Providers of engineering, design, procurement, and construction services for utility-scale solar projects	Company enables the design and construction of utility-scale solar projects in the US, which once constructed offset electricity that would otherwise be produced from non-renewable sources.	**Planetary Health**	Emissions Reduction Enablement	Projects totaling 500 MWs of generation capacity complete in 2023.
Provider of software that simulates and forecasts energy markets utilised by a variety of energy market participants	Company products have a variety of uses but one example is simulating how new sources of generation will impact the existing electricity grid, i.e., a key enabler of bringing new renewable generation projects online.	**Planetary Health**	Emissions Reduction Enablement	Products support 400+ customers across multiple continents, representing 57% of annual global power grid capacity.
Used motor oil recycling platform	Company operates a proprietary process for recycling used motor oil into sustainable base oils, which offset the extraction and production of virgin oil.	**Planetary Health**	Emissions Reduction Enablement	Estimated to have enabled the avoidance of 129,000 tonnes of CO_2 equivalent in 2024.

D) Limitations and Next Steps

With this framework, we believe we will be able to more accurately assess, classify and report on our allocation to impactful investments. While this framework enhances the rigour of our underwriting and monitoring processes, we acknowledge certain limitations. Firstly, it may not capture all impactful investments made through our managers. For example, generalist managers without a specific focus on themes outlined in our impact taxonomy might still invest in impactful companies. Similarly, at a company level, the framework assesses companies based only on their principal business activity and therefore does not account for potentially impactful activities that constitute a minority portion of a company's operations.

Thus far, we have only applied the framework to our impact-focussed Private Equity commitments. As our investments span several asset classes, we will continue refining the approach as the application of the framework will vary especially between private market commitments and liquid asset classes. Finally, we note that impact reporting among our managers varies significantly. This means that company-level impact metrics to allow us to quantitatively measure the impact of a manager's underlying investments are not widely available today, but this is an area we continue to engage with our managers on, particularly those with an impact focus.

6. Looking Ahead to 2025

In 2025, we will continue to develop our Sustainable Investing strategy, focusing on the following areas:

Manager ESG Engagement Programme:
Refine our targeted ESG engagement approach to drive measurable improvements across engaged managers. Assess new and existing relationships to determine new candidates to be added to the programme.

Asset Manager ESG Integration Survey:
Partners Capital will evolve its approach to manager assessment. As part of this, we will broaden our Asset Manager ESG Integration Survey to include our managers' approaches to sustainability outcomes and impact.

Impact Investment and Energy Transition:
Continue to source and invest in impactful opportunities, including those related to energy transition, to support clients' growing interest.

Diverse Manager Research Initiative:
Continue to broaden sourcing of diverse managers and foster collaboration across asset class teams.

Diversity, Equity, and Inclusion (DEI):
Continue DEI initiatives: 1) promote inclusivity, 2) recruit and retain a diverse workforce, and 3) support diverse leadership through development and mentorship programmes.

7. Appendix

Appendix 1 – Partners Capital Asset Manager ESG Integration Survey

The Partners Capital Asset Manager ESG Integration Survey captures the degree to which the below six factors are incorporated into investment decision making:

1. **Policies and Infrastructure**
2. **Due Diligence, Investment Decision Making and Portfolio Management**
3. **Climate Change**
4. **Asset Class Specifics**
5. **Measurement and Reporting**
6. **Diversity, Equity and Inclusion (DEI)**

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

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