



GROWING IMPACT

New Insights into the Practice of
Impact Investing



Creating Markets, Creating Opportunities

CASE STUDY 12: PARTNERS GROUP

Signatory



Partners Group is implementing Principle 3 through active private equity ownership.

In 2018, Partners Group, a global private markets investment manager, launched an impact-at-scale investment strategy focused on companies and infrastructure assets with business models that can advance the Sustainable Development Goals. A central tenet of this investment thesis is that active ownership is the primary lever to improve an asset’s financial performance while also increasing its impact. By acquiring a controlling interest in companies on behalf of its clients, Partners Group implements significant value creation and environmental, social, and corporate governance (ESG) initiatives that drive financial and social returns and minimize negative impacts. The firm has created a simple yet robust framework for measuring the impact of these initiatives.

Identifying Partners Group’s contribution to impact begins in the due diligence process for all investments within the strategy, with the first step being the proprietary impact assessment. During this assessment, Partners Group engages an independent provider to build an evidence-based model linking a potential investment’s core business activities to measurable outputs, outcomes, and impacts that contribute to a specific SDG target.

In line with Principle 3, the assessment also estimates the degree to which Partners Group, as manager, would materially contribute to the asset’s SDG impact, and outlines specific metrics to measure the firm’s impact contribution during ownership. The final output of the assessment is a clear framework for Partners Group’s impact narrative, which is documented over the life of the investment.

Techem: In 2018, Partners Group invested on behalf of its clients in Techem, a German energy infrastructure and energy services company and market leader in “sub-metering” services. Sub-metering is a cost-efficient way to reduce individual heat and water consumption by providing residential energy consumers with technology

Principle 3

Establish the Manager’s contribution to the achievement of impact.

and services that offer consumption data on a regular basis and incentivize more efficient resource use through lower costs. Today, Techem’s services lead to a total CO₂ avoidance of more than seven million tons per year.

The impact assessment for Techem established that installing and maintaining sub-metering devices in apartment buildings enables better monitoring of energy use and temperature regulation, helping to improve energy efficiency and advance SDG target 7.3 to: “by 2030, double the global rate of improvement in energy efficiency.” The assessment also outlined that, as Techem’s lead investor, Partners Group would hold majority governance rights and could use its expertise to enhance the company’s impact through strategic and operational improvements.

Partners Group’s impact contribution includes:

1. **Business building:** Partners Group identifies assets whose core business generates positive impact, and then scales that business by leveraging the firm’s internal team of industry and ESG experts and business-building toolkits. Partners Group is scaling Techem’s business by proliferating sub-metering services and accelerating energy efficiency improvements across the company’s customers.
2. **Impact value creation:** Partners Group also identifies discrete ways in which it can increase an investment’s positive impact while also improving operational and/or financial metrics. At Techem, one strategy is to improve digital communication tools so that inhabitants can more easily monitor their heat and hot water consumption and also compare it to their peers. This uses consumer behavior to further reduce consumption while also attracting new customers interested in more tech-enabled solutions. In addition, Techem is exploring technology innovations to optimize heating systems and save fuel. Providing such systems to customer properties could further reduce resource consumption and increase energy savings.



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3. Working with management teams: Driving impact at portfolio assets requires buy-in from the management teams, and Partners Group's active ownership model is highly beneficial to implementing these initiatives. Many management teams are also often eager to drive the conversation forward. For example, Techem's management team supports quantifying the company's impact on energy consumption, as it has positive effects on government relationships, consumer marketing, employee satisfaction, and the overall business strategy, as the company seeks to reposition itself from a "metering" firm to an "energy efficiency" firm with a vision to "make buildings green and smart."

4. Ensuring accountability: Partners Group establishes impact Key Performance Indicators (KPIs) for all of its impact investments, which are then tracked and reported annually. Techem improved the way it measures the reduction in energy consumption achieved by its clients. To monitor its impact contribution, Partners Group has also built impact governance into the firm's broader asset management process. This means that investment teams report on impact performance alongside financial performance to the Operational Value Creation committee, which oversees all assets across Partners Group's portfolio.

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—CARMELA MONDINO, SENIOR OPERATING ASSOCIATE, ESG & SUSTAINABILITY, PARTNERS GROUP

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