



SUMMIT  
AFRICA

# Operating Principles for Impact Management

DISCLOSURE STATEMENT



GROWTH WITH IMPACT

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## We are a signatory to the Operating Principles for Impact Management (the “Impact Principles”)

The Impact Principles provide a reference point against which the impact management systems of funds and institutions may be assessed. They draw on emerging best practices from various asset managers, asset owners, asset allocators and development finance institutions.

This Disclosure Statement covers Summit Africa’s (“**Summit**”) private equity assets under management for its first fund, the Summit Private Equity Fund I, with committed capital of ZAR 1.62 billion<sup>1</sup>.

This Disclosure Statement affirms that Summit’s (a) impact management systems; (b) policies and practices; and (c) investment and operations practices are managed in alignment with the Impact Principles.

The Impact Principles are designed to **measure integrity** and **increase transparency**. As an impact-focused investor regarding our private equity fund, we welcome continued adoption of the Impact Principles.

The Ninth Principle requires Signatories to verify their impact management practices independently. Before concluding the final close (September 2021) on the Summit Private Equity Fund I, BlueMark conducted an independent verification of Summit in April 2021. The verification can be found [on our website](#).

As a new and emerging manager, we used the verification findings to implement several additional impact management policies and processes that have substantially contributed to improving our impact investment management practices and our alignment to the Impact Principles.

Summit will conduct its first verification as a signatory in 2024.

This Disclosure Statement further supplements the ESG & Impact Performance results that are reported in our annual Impact, ESG and Sustainability Report, which can be found [on our website](#).

### HANNES SOLL

Head of Impact and ESG

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<sup>1</sup> USD equivalent of assets under management was \$100 million at the exchange rate of \$1 to ZAR16.

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# Principle 1

## Define strategic impact objective(s), consistent with the investment strategy

**Principle 1 states:** The manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent, that the scale and/or intensity of the intended impact is proportionate to the size of the investment portfolio.

- We are a specialist Alternatives Investment Manager, delivering bespoke investment solutions through our private equity funds. Our emphasis is to deliver above-benchmark risk-adjusted financial returns whilst contributing meaningfully to the social and economic transformation and development of local communities in Southern African Development Community (“SADC”) countries.

- Through our private equity funds, we provide access to scarce, high-growth, defensive investment opportunities in strategic sectors that contribute meaningfully to the betterment of society. Initial target sectors include Financial Services, Education, Healthcare, and ICT.

- In line with our vision statement of “**creating significant social and economic transformation of our African society through innovative solutions that deliver sustainable value for all stakeholders**”, our [investment philosophy](#) embodies the following overarching principles:

We make investments on behalf of and alongside our investors (predominantly pension funds, institutional investors and DFIs). And as responsible stewards, we strive to provide investment solutions that create sustainable value for our investors, the companies we invest in (“Investees”) and importantly, the communities they serve whilst focusing on protecting the planet.

We define “**sustainable value creation**” as investing in companies that create long-term value by acting on both opportunities and risks

associated with economic, environmental, and social developments.

### Our Three Impact Themes

As a sustainably focused impact investor, our fund investment strategies strive to meaningfully deliver to a greater or lesser extent three overarching impact outcomes:

#### A | Job Creation



Through our investments, our funds will look to create new permanent and temporary jobs for mostly previously disadvantaged individuals.

#### B | Community Upliftment



Community upliftment impact targets specifically relate to each Sector and are guided by the Impact Reporting and Investment Standards (“IRIS+”). For example, investing in the Healthcare sector looks to deliver on the Good Health and Well-Being (SDG 3) targets and, more specifically, the IRIS+ strategic goal ‘Increasing Consistent Supply of Essential Products and Services’.

#### C | Transformation, Diversity, and Inclusion



This theme aligns with each country's objectives and where the target specifically addresses Reduced Inequality (SDG 10) and Gender Equality (SDG 5). For example, our first fund has aligned with the South African National Development Plan 2030 and the various Broad-Based Black Economic Empowerment regulations.

## A Sustainable Future

- Our impact themes are aligned with the United Nations Sustainable Development Goals (“SDGs”).
- In addition, we have aligned with various organisations whose practices focus on individual components of Impact and ESG management and ensure alignment between the two disciplines.

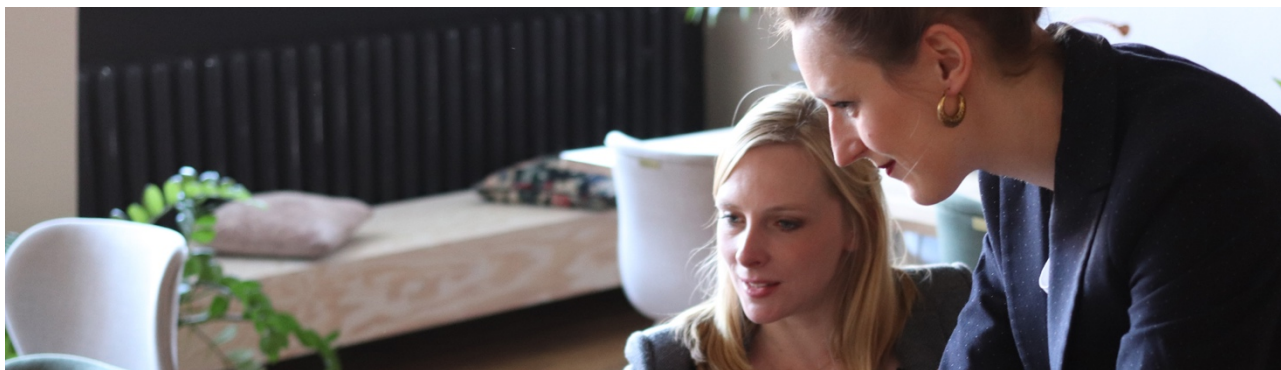
Along with being a signatory to the Impact Principles, Summit is a member of the Global Impact Investing Network (“GIIN”), which adopts the Impact Reporting and Investment Standards (“IRIS+”) and the Impact Management Project (“IMP”). In addition Summit is an organization member of the IFRIS Foundations Sustainable Accounting Standard Board (“SASB”) and the Principle for Responsible Investment (“PRI”) and is committed to the **2X Challenge**. We use these complementary frameworks as a collective, combined with each country’s developmental objectives (e.g., South African National Development Plan 2030), to (i) set each fund’s impact targets and (ii) to develop our impact investment management processes and reporting standards.

- Our Community Upliftment impact theme is driven by the sector-specific objectives/targets aligned to the SDGs. Therefore, each fund could have several Community Upliftment related targets. As an example, the Summit Private Equity Fund I, target sectors include Healthcare (SDG3), Education (SDG4) and Financial Services (SDG 8).
- To make impact management more structured and consistent, we implement the IMP’s five dimensions of impact management - **Who, What, How Much, Contribution** and **Risk**. As used by IRIS+, these impact dimensions enable us to refine specific Community Upliftment impact themes and targets. In addition, we use the dimensions to (i) set our impact assessment criteria and evaluation methodology, (ii) create value add action plans

for each Investee, and (iii) develop impact reporting categories.

- Our commitment to **responsible investing** (ESG practices) and business integrity is at the forefront of our overall impact mission. As an impact investor, we have a dual mandate to deliver above-benchmark risk-adjusted financial returns whilst also contributing meaningfully to the Social and Economic Transformation and Development of local communities within the countries we invest. We value our role as enablers of better E&S and business integrity outcomes enabled through our investments.
- As such, ESG & Impact management is fully integrated into the investment process. A dedicated ESG & Impact Team is responsible for the overall implementation and monitoring of the fund’s impact strategies and independently reviews every transaction to ensure alignment with stated strategies.





## Principle 2

### Manage strategic impact on a portfolio basis

**Principle 2 states:** The manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- Applying a portfolio approach is a crucial pillar of an active impact investment management strategy. Accordingly, each fund and mandate will seek to deliver double-digit risk-adjusted returns whilst delivering on one or more of our Impact Themes ((A) Job Creation, (B) Community Upliftment and (C) Transformation, Diversity and Inclusion)).

Impact targets are set for each fund.

Sector selection and allocation targets within the portfolio will be constructed to strike a balance between delivering a targeted financial return and the targeted social impact.

- We design an impact reporting matrix for each fund, typically consisting of IRIS+ reporting categories, SDGs outcomes, and in-country specific frameworks (e.g., in South Africa, the Broad-Based Black Economic Empowerment (“BBBEE”) Scorecard and the South Africa Development Plan 2030).

Where possible, data categories will align with frameworks and collect quarterly data from each investee company. The results will be aggregated to a sector-level and fund portfolio level. Each investee and the fund's progress is

measured against pre-defined investee, sector and fund impact targets. Evaluation of over and under-performance against impact targets will either result in an adjustment to the initial investment strategies and/or the impact targets.

- Impact performance data for each investee, fund and sector within the fund is published annually in the yearly ‘ESG + Impact and Sustainability Report’, specifically detailing fund targets versus actuals achieved.
- A dedicated ESG & Impact team collects, aggregates, and manages impact information.
- Summit is considering linking a portion of its discretionary bonuses with impact delivery.



## Principle 3

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

**Principle 3 states:** The manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- Each fund’s industry selection is underpinned by a detailed sector investment strategy and plan, which identifies structural opportunities within the sector that can positively contribute to society and the environment. Selected industries drive each fund’s (B) Community Upliftment impact objectives (for example, the Summit Private Equity Fund I sectors include Healthcare, Education, Financial Services, and ICT).
- Investees who can contribute toward a fund achieving its impact targets are recommended for investment. As an active investor, we will only recommend an investment where we can, upfront and on a pre-agreed basis (with the Investee management), clearly demonstrate additionality and value-add that will contribute meaningfully to an investee achieving its targeted impact outcomes.
- Our value-add may arise from our provision of finance and will result through our Investment Team and Value Add Team contributions across a broad spectrum of disciplines.
- During the due diligence phase, an initial yet extensive list of value-add action items is identified, targeted timelines ascribed, and responsibilities assigned. The value-add action items are aligned to the IMP’s ‘Contribution’ analysis completed for each investment. The investment committee paper details the resultant IMP evaluation and value-creation plan (“VCP”).
- If approved, the VCP is included with the ESG VAAP (refer to Principle 5) in each new shareholders agreement.
- The VCP is regularly reviewed, progress is monitored, as required value add action items re-aligned and new value add items added.
- Examples of our value addition to date include, assisting invested hospitals regarding expanding their facilities (financing, project management etc.), brand development, operational and systems development.



## Principle 4

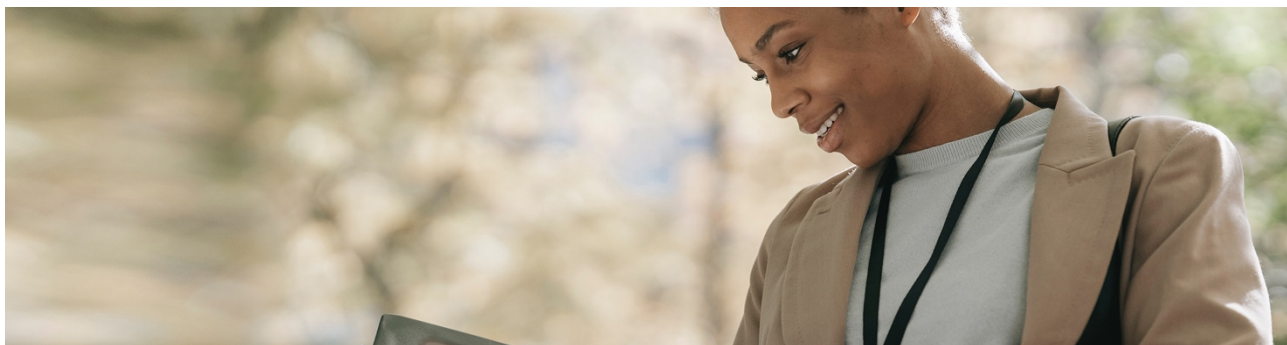
Assess the expected impact of each investment. Based on a systematic approach.

**Principle 4 states:** For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer the fundamental questions: 1) What is the intended impact? 2) Who experiences the intended impact? 3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment’s expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relevant size of the challenge addressed within the target geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager’s strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practices.

- Before finalising the investment mandate for a fund, we complete an in-depth investment analysis of potential investment industries, looking at how the industry value chain will contribute to financial and non-financial (our Impact Themes) objectives. The outcome of the analysis is used to set a fund’s impact targets, specifically as it relates to each Impact Theme.
- As part of the investment selection process, each opportunity is assessed against the six dimensions of impact: **What** (the type of impact), **Who** (target beneficiaries), **How Much** (how many and how much will be benefitted), **Contribution** (our value-add capability to assist with the investee realising the targeted objectives), and **Risk**. High-level impact targets are set per investee.
- Each investment committee paper contains a comprehensive six-dimension evaluation of the investment opportunity, further detailing how the investment will contribute to each of our Impact Themes (specific investee targets) and the overall fund targets.
- As an active investor, we establish value-add contribution activities to be implemented by our value-add team, which can maximise the impact outcomes of investments. These value-add activities are detailed in the investment committee papers and are actively managed using our project management tool.
- Risk factors identified are rated, and mitigation strategies are disclosed in the investment committee papers.
- Impact objectives for each investee are monitored quarterly and, to the extent possible, mapped to the IRIS+ impact categories.
- A dedicated ESG and Impact Team collects, evaluates, and reports on the impact data and related objectives.





## Principle 5

### Assess, address, monitor, and manage potential negative impacts of each investment

**Principle 5 states:** For each investment the Manager shall seek as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social, Governance and Business Integrity (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of the portfolio management, the Manager shall monitor investees ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

- Our Environmental, Social, and Governance (“**ESG**”) management system (“**ESMS**”) is implemented to address ESG matters which may arise throughout the course of an investment.
- ESG matters are considered separately from each fund’s Impact Theme objectives as the measures look to address unintended adverse risks or realise opportunistic positive impacts.
- Summit’s ESG Framework is coordinated by a dedicated ESG & Impact Team and runs parallel to the Impact management system.
- The following standards and frameworks guide our ESG Framework: IFC Performance Standards (“**IFC PS**”), International Labour Organisation (**ILO**), Sustainability Accounting Standards Board (“**SASB**”) Materiality (signatory member), **UN PRI** (signatory status), **UN SDGs**, each countries local health, environmental and safety laws and regulations, King IV Code for Corporate Governance, to the extent possible the Task Force on Climate-related Financial Disclosures (“**TCFD**”), and other standards and frameworks as adopted from time to time.

#### PRE-SCREENING

Upfront and before commencing full due diligence, each investment is pre-screened against excluding activities deemed off-limits, which can result in adverse social and environmental outcomes.

#### PRE-INVESTMENT

A comprehensive ESG due diligence is undertaken by our ESG & Impact Team, using our evaluation Toolkit (ESG sectors specific specialists contracted as required).

Consisting of over 600 sector-specific ESG and ESMS questions compiled from our various framework partners' evaluation criteria, the Toolkit delivers a report which includes:

- 1). a mapping of the Investee's current standing as it relates to the first four IFC PSs and with PS 1 (Risk Management), evaluating an Investee's Commitment, Capacity and Track Record regarding ESG management;
- 2). a detailed assessment of critical risks and opportunities, risk rated and associated action items;

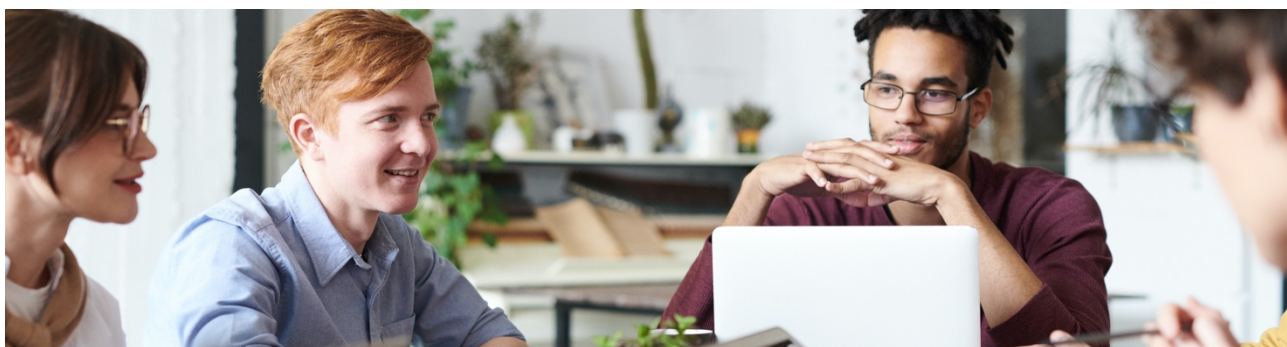
- 3). a summary overview of the investee corporate sustainability practises related to the UN Global Compact Ten Principles; and
- 4). a comprehensive ESG Value Add Action Plan (“**ESG VAAP**”) categorised according to the SASB dimensions, setting out all key risks, opportunities, and associated action items. Each of these is risk-rated, prioritised, and the ESG VAAP action items agreed upon with the Investee before the completion of an investment.
- 5). ESG-specific data is collected from Investees every quarter. Where possible and if applicable, the data is mapped to a SASB general issue category and other framework standards. Data is checked, verified, and analysed; corrective action is implemented where required.
- 6). Our quarterly Investee ESG reports provide an overview of significant environmental and social developments, changes, and progress to the investee’s ESMS.
- 7). Our annual sustainability report details each Investee’s specific development and progress in each of the first four IFC PS.

The final investment committee paper details the above findings and the ESG VAAP.

## POST INVESTMENT

Post the investment committee approval; the Summit ESG management system comprises the following:

- 1). The ESG VAAP and other agreed-on value-addition items, as detailed in the value creation plan (“**VCP**”), are included in the new shareholder’s agreements.
- 2). The ESG VAAP is converted into an online project management tool, facilitating ongoing collaboration between the investee and the Summit ESG & Impact Team.
- 3). Regular engagement (at least quarterly, and where required monthly) take place with each Investee and during which time and using our online collaboration tool, (i) the ESG VAAP action items are reviewed, and risk ratings checked and adapted (as required), (ii) refreshed assessments and verification takes place, (iii) training provided, and (iv) technical assistance given with the development of ESMS and governance frameworks.
- 4). As required, specialists are contracted on a case-by-case basis to further assist Investees with developing and managing sectors specific ESMS frameworks (e.g. Healthcare).



## Principle 6

Monitor the progress of each investment in achieving impact against expectation and respond appropriately.

**The principle states:** The Manager shall use the results framework (Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected, the method for the data collection and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate actions. The Manager shall also seek to use the results framework to capture investment outcomes.

- As part of each Investee’s impact thesis, we set high-level targets aligned with and contributing toward the funds’ Impact Theme targets. In addition, ongoing evaluation takes place to track the Investee’s progress.
- Our ESG & Impact Team and certain of our Value-Add Team specialists are responsible for collecting impact data. Data is collected directly from each Investee. Unlike in the past, impact data from 2023 will be collected quarterly.
- Data collection is categorised, to the extent possible, against the IRIS+ codes, HIPSO and the JII categories and are aligned to our Impact Themes. Information is verified and analysed.
- Our Investment Team members are active on the Board and sub-committees of our Investees and use these forums to ensure continued alignment with intended impact outcomes.
- Our Investment and Value Add teams assist with technical assistance. Value Addition drivers and objectives are identified during the due diligence phase, and Summit’s specific contribution is detailed in the investment committee papers (please refer to Principle 3).



## Principle 7

### Conduct exits considering the effect on sustained impact.

**Principle 7 states:** When conducting an exit, the Manager, shall in good faith and consistent with its fiduciary concerns, consider the effects which the timing, structure, and process of its exit will have on the sustainability of the impact.

- Although we have not completed an exit to date, the exit process will align with the policies and procedures outlined in our ‘Exit Policy: Considerations for Exit of Portfolio Investments’.
- How the development impact will be sustained after our exit is an essential factor reviewed by the Investment Team and the ESG & Impact Team.
- At exit, commercial returns and the continuation of impact outcomes will be assessed equally. The analysis will be detailed in the investment committee exit paper.
- All exits require approval from our independent investment committee.
- In selecting a preferred buyer, we will consider their ESG and Impact approach, specifically their previous track record.
- In assessing potential buyers, in addition to requesting ESG and Impact-related information and establishing their commitment toward continuing the ESG and Impact practises, we will ensure that the buyer does not participate in any industries that are on the exclusion list of the fund.

If a track record is not clearly demonstratable, we will look to understand to what extent the buyer will continue to support the Investee’s ESG (and related ESMS) practices and impact outcomes.





## Principle 8

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

**Principle 8 states:** The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

- Every month (and, in several instances, weekly), the ESG & Impact and the Investment teams engage with the Investees to assess progress concerning the key performance indicators, VCP and ESG VAAP action items.
- During these engagements, we, with the investee management team, will identify any risks which could result in the impact objectives not being achieved, formulating corrective measures.
- In addition to the above, the ESG & Impact Team will review the impact data quarterly to determine actuals versus targets at the Investee, sector, and fund level. These findings are shared with the balance of the teams and are discussed in regular meetings.
- Annual reports are published to investors providing a detailed overview of each Investee and detailing the fund performance per Impact Theme, comparing targets to actuals.
- Overall impact performance at the fund level is also considered in regular investment meetings.
- Although we have not concluded an exit to date, the intention is for the Summit teams to, after each exit, conduct an analysis which will include a review of the Investee's impact performance compared to the investment strategy, impact targets and additionality intentions (value addition specifically as it related to the VCP and the ESG VAAP). Then, using these lessons learned, we will adapt our strategies and processes to improve on future intended outcomes.



## Principle 9

Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

**Principle 9 states:** The Manager shall publicly disclose; on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment.

The conclusions of this verification report shall also be publicly disclosed. These disclosures are sublet to fiduciary and regulatory concerns.

- This Disclosure Note is our annual confirmation of the alignment of our procedures with the Impact Principles and will be updated annually.
- The disclosure statement is published on the Summit Africa website.
- Summit completed an independent verification before its first fund's (the Summit Africa Private Equity Fund I) final close (September 2021) at the request of one of our investors. At that stage, Summit had only completed four investments and was in the process of further developing its ESG and Impact investment management framework.  
  
[\*A copy of the independent verification reports can be accessed on our website.\*](#)
- **We will complete our first independent verification since becoming a signatory in 2024.**



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DISCLOSURE STATEMENT

