

Asia's Leading Healthcare  
Private Equity Fund

QUADRIA  
CAPITAL

# OPERATING PRINCIPLES FOR **IMPACT MANAGEMENT**

Disclosure Statement  
24th May 2024

Quadria Capital Investment Management Pte. Ltd. ("Quadria Capital", or "Quadria") hereby affirms its status as a Signatory to the Operating Principles for Impact Management<sup>1</sup> (the "Impact Principles").

As of 2023 year-end, this Disclosure Statement applies to the following assets (the "Covered Assets"):

- Quadria Capital Fund II Holdings Pte Ltd.
- Quadria Capital Fund III LP

The total assets under management in alignment with the Impact Principles is US \$1.28Bn as of 31st December 2023.

24th May 2024



**Abrar Mir**  
Managing Partner  
Quadria Capital



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<sup>1</sup> Please visit the Operating Principles for Impact Management (OPIM) website (<https://www.impactprinciples.org>) for more information about the Impact Principles.

The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.





Principle 1:  
**Define strategic impact objective(s), consistent with the investment strategy**



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 there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

#### Quadria Alignment

In the 10 years since Quadria Capital was founded, it has remained steadfast in its core belief that access to healthcare is a fundamental human right by contributing to transform its availability and affordability across Asia's emerging regions. In doing so, it has fostered positive social impact by enabling communities and individuals to access the high-quality services they need and deserve. The Fund has also consistently delivered on its parallel aim of providing superior financial returns for investors.

Quadria's legacy impact approach has been anchored on Quadria's Impact Circle – which was used to evaluate our investments based on their

potential to generate positive change for the health systems across four key impact pillars: Accessibility, Affordability, Quality and Awareness.

Fund level impact objectives are tied to positive, measurable output, outcomes, and impact. In 2022, we embarked on the journey to enhance our impact framework to support a more nuanced and measurable delivery of our ESG and impact commitments. This enhancement enables us to establish a quantifiable and precise methods for managing and measuring impact.

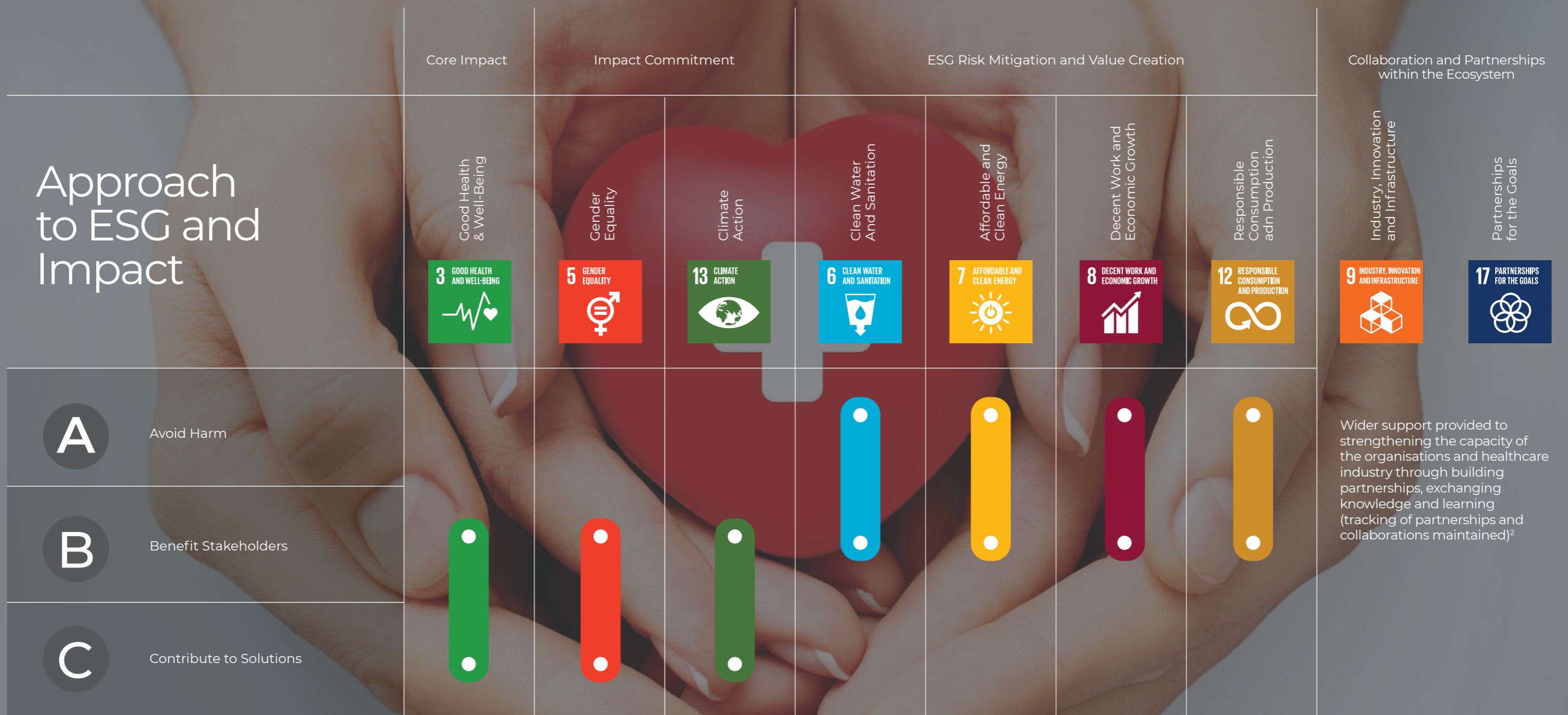
Building upon the four pillars of our Impact Circle as the core foundation, our impact management framework has led us to incorporate several

nuanced features and industry practices: aligning our approach to the five impact dimensions of the Impact Management Project establishing, a deeper linkage with SDG target indicators and mapping of key performance indicators (KPIs) to IRIS+ metrics, developed an impact scorecard to facilitate a quantitative performance assessment across the deal lifecycle and fully integrating our Environmental, Social and Governance (ESG) factors with the impact evaluation process.

Quadria's Annual Impact Report captures the proportionality of the firm's portfolio-level impact relative to its invested capital. Additionally, on an annual basis, Quadria assesses the pro-rata impact attributable to the Fund through its investments.



# Approach to ESG and Impact



Wider support provided to strengthening the capacity of the organisations and healthcare industry through building partnerships, exchanging knowledge and learning (tracking of partnerships and collaborations maintained)<sup>2</sup>

<sup>2</sup>At the fund level, these goals are embedded in all our investment strategies and activities. Given the systemic healthcare challenges and opportunities we have identified across the value chain, we believe that ecosystem change is accelerated through industry exchange, partnership and collaboration, whether directly with Quadria or facilitated by Quadria. As part of our intended goals, we aim to generate indirect yet significant impacts within the healthcare sector, paving the way towards universal healthcare that benefits not only our stakeholders but also serves wider communities and beneficiaries.





Principle 2:  
**Managing  
strategic impact on  
a portfolio basis**



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.

#### Quadria Alignment

At Quadria, an integrated approach to ESG and Impact considerations is followed throughout the deal cycle from origination to exit.

The investment portfolios are structured to deliver meaningful and measurable impact alongside financial results. The impact that results from the Fund's strategies stems from two investment approaches:

##### a. Impact Orientation:

Core impact results from investing in companies that actively deliver goods and services that address healthcare needs and contribute significantly to the healthcare eco-system. Core impact is anchored on selecting companies where impact is intrinsically embedded in the business model which ensures that impact realises as the company scales. Core impact

is assessed and measured across our four defined pillars accessibility, affordability, quality, and awareness, utilizing an impact scorecard for pre-investment eligibility assessment and ongoing impact monitoring during ownership.

**b. ESG Orientation:** Supporting companies in actively improving the measurement, management, and performance of ESG material topics – such as resource use, workforce well-being and diversity, greenhouse gas emissions, among others, as part of ESG risk management and value creation.

Quadria has identified relevant SDGs, aligning them with the material topics of the healthcare industry and the impact objectives where Quadria aims to drive measurable impact. At the portfolio level, we employ standardized templates and tools to ensure

the implementation of impact management in a systematic and well-documented approach.

The assessment of core impact linking with SDG 3 is central to Quadria's pre-investment evaluation and for determining minimum impact eligibility, whereas the other long-term impact goals (SDGs 5, 6, 7, 8, 12, 13), along with the associated KPI metrics, are integrated at the time of the investment and the ownership stages for driving a positive impact for stakeholders or mitigating negative impact, as applicable.

An impact scorecard has been developed, identifying a set of KPIs across the impact pillars (namely Accessibility, Affordability, Quality, and Awareness), which are rated on a scale of 1 (low) to 5 (high). By virtue of the scorecard, each portfolio company is scored across impact pillars and derive both an overall impact score at



the time of investment and an anticipated impact score at exit.

During the due diligence process, the Impact and ESG Team assesses more detailed environmental and social performance, from the prospective portfolio company, along with a meaningful set of impact KPIs through interviews and site visits, and further develops the impact thesis. The impact thesis and key ESG and impact metrics are presented to the Investment Committee(IC) alongside the investment thesis and business analysis, for discussion and approval. Standard impact and ESG metrics defined during the due diligence process are

included as part of the reporting requirements in the investment agreements.

To monitor progress towards the impact goals at portfolio level, Quadria collects standard impact metrics from portfolio companies on a quarterly and annual basis, and aggregates data in a portfolio spreadsheet. This allows for regular updates on the contribution of Quadria to specific areas within a defined investment period.

Furthermore, to ensure widespread understanding and adherence, all employees and investment staff at Quadria have undergone training to familiarize themselves with Quadria's

Environmental and Social (E&S) policies and guidelines and IMM framework. We prioritize a comprehensive onboarding process, imparting induction sessions on Quadria's E&S policies and procedures to new joiner. This proactive approach underscores our commitment to integrating responsible investment practices at every level of the organization.

At Quadria, the firm also utilises an impact-aligned performance review process for Impact and ESG Team members, which factors in the achievement of ESG and impact KPIs and action items into select employee appraisals.



	PRE-INVESTMENT				OWNERSHIP	EXIT
ACTIVITIES	<ul style="list-style-type: none"> <li>• Generation of an impact score to ascertain pre-impact eligibility</li> <li>• Assessment of the impact thesis</li> </ul>	<ul style="list-style-type: none"> <li>• Conducting an impact diligence for further validation of data, through third party due diligence (included as part of commercial DD or ESG DD scope)</li> <li>• Revision in the impact score or data in pre-investment template, if needed</li> </ul>	<ul style="list-style-type: none"> <li>• Finalization of Impact scoring</li> <li>• Agree on impact KPIs and metrics</li> </ul>	<ul style="list-style-type: none"> <li>• Impact and ESG covenants</li> </ul>	<ul style="list-style-type: none"> <li>• Collection, monitoring and tracking of KPIs and metrics on a quarterly and annual basis</li> </ul>	<ul style="list-style-type: none"> <li>• Endline impact performance actual v target</li> <li>• Qualitative narrative and case studies</li> <li>• Lessons learnt and best practice for feedback loop for future deals</li> </ul>
STAGE	First IC	Due Diligence	Second IC	Final IC	Discussions with the ESG coordinator and during Executive Committee Board and (ExCo) meetings	Deal team review meeting





Principle 3:  
**Establish  
the Manager's  
contribution to the  
achievement  
of impact**



**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.**

#### **Quadria Alignment**

Prior to any investment, a comprehensive due diligence exercise is conducted on financial, commercial, tax, ESG and impact aspects. One of the key outcomes of this exercise is the development of an action plan aimed at addressing material risks and seizing value creation opportunities across portfolio companies. The exercise also involves setting timelines, assigning responsibilities for managing these tasks along with defining key deliverables.

During the ownership period, the Impact and ESG Team is actively involved in assisting companies in achieving their outcomes including managing and measuring key impact and ESG metrics and KPIs on a quarterly and annual basis. The team conducts formal

reviews of progress against ESG, and impact action items, performance, and achievements made during regular Board and/or ExCo meetings.

We create value not just through our individual investments, but also by building industry partnerships and collaborations for health systems strengthening. By actively supporting partnerships and collaborations in the region, Quadria Capital aims to ensure that the healthcare industry can meaningfully benefit from the impact that each of its portfolio company is driving.

We are able to drive impact through our Board and Board Observer seats in the companies. Evidence is also collected in the form of case studies and material impact and ESG KPIs to review contribution to the portfolio companies.

Further, the impact scorecard helps to assess its expected contribution of capital invested for each investment opportunity. This assessment occurs at all investment stages, guiding decisions on where funding is expected to yield a compelling impact narrative.

To support our portfolio companies' growth plans, we augment the management team with dedicated operating partners and a value creation team. Collectively, they have expertise in specific healthcare subsectors across various functional areas and play an important role in driving portfolio value creation by offering on-the-ground expertise. With our guidance, portfolio companies have expanded their playing field and strengthened their internal capabilities.





Principle 4:  
**Assess the expected impact of each investment, based on a systematic approach**



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 these 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 relative size of the challenge addressed within the targeted 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 practice.

#### Quadria Alignment

In our initial assessment of opportunities to enhance the impact of our investments, Quadria strategically defines impact outcomes through the lens of the SDGs and their underlying targets. Each SDG is thoughtfully assigned an ABC classification, signalling our investment approach: Avoiding harm, Benefitting stakeholders, or Contributing to solutions.

As we develop an impact thesis for each investment, Quadria leverages its proprietary IMM framework to perform an ex-ante analysis of its investment's actual and anticipated impact at exit at the due diligence stage. This enables the IC to make an informed decision regarding the investment's impact potential. At the Fund level, we have established a theory of change that serves as a guiding framework for our impact strategy across all investments:

#### a. Qualitative Analysis :

During its investment decision-making process, our investment committee evaluates several factors, including the articulation of the impact thesis, SDGs alignment, main outcomes of the investment, contribution of Quadria to the achievement of outcomes and impact, and existing or potential risk associated with the achievement of impact.

#### b. Quantitative Analysis:

By virtue of an impact scorecard, each portfolio company undergoes assessment across impact pillars to derive both an overall impact score at the time of investment and an anticipated impact score at exit. The impact score thresholds have been set to determine the impact eligibility of the prospective companies. The thresholds include a minimum score for the current impact at the time

of investment and a minimum score for the anticipated impact at the time of exit. Definitions for Accessibility, Affordability, Awareness and Quality (four pillars of impact) for each healthcare sub-sector are integrated into the framework to ensure standardization in monitoring and reporting of a company's impact performance. The framework and KPIs are aligned with IMP's five impact dimensions, IRIS+ metrics and other additional WHO metric depending on the specific nature of the sub-sector.





## Principle 5: **Assess, address, monitor and potential negative impacts of each investment**



**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 and Governance (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 portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.**

### Quadria Alignment

Quadria has a comprehensive ESG assessment process to identify and manage ESG risks and/or respective negative impact in the screening, due diligence and ownership phases of the investment process. There is an E&S policies and guidelines in place which is aligned with the requirements of global ESG standards and best practices, including IFC Performance Standards, ADB Safeguards and Social requirements, AIIB Environment and Social Standards, and others. Upon conducting an ESG materiality study, potential ESG risks and opportunities are identified internally for each investment. These serve as the initial findings to be shared with the IC before proceeding to the next diligence stage.

Prior to making an investment, an preliminary screening of the prospective portfolio company against our fund's ESG Exclusion List is carried out during deal origination and to be shared in the first IC meeting. After the first IC meeting and the signing of the nonbinding term sheet, our next step involves conducting a third-party ESG Due Diligence (ESG-DD). This external assessment is geared towards identifying

the ESG risks and respective negative outcome inherent in each prospective portfolio company. Additionally, we evaluate its alignment with the requirements of our ESG Management System, ensuring that the investment meets our sustainability criteria.

For the non-compliances and gaps identified during the ESG - DD, we proceed by developing an ESG Action Plan (ESG-AP). This comprises the following:

- Nature of non-compliance/gap with explanatory details
- E&S risk classification
- Recommended action to address each non-compliance/gap
- Timeline for implementing the recommended action
- Monitoring indicators to be adopted to effectively track the completion of each recommended action.

Discussion of material ESG risks and the respective negative outcomes forms a part of every IC memo and investment decision to ensure, at a minimum, the rectification of any identified non-compliances and red flags.

Quadria negotiates ESG standards, compliance and

ESG-AP into legal documentation and monitors its investments on an ongoing basis to ensure that any existing and potential ESG risks are mitigated

If agreed upon, following our investments, Quadria takes a proactive stance in overseeing and monitoring the ESG and impact performance of each portfolio company. Beyond the routine quarterly and annual reporting requirements, we insist that portfolio companies furnish updates on the implementation status of mitigating actions outlined in the ESG-AP, as well as report any significant ESG incidents. Adding depth to our approach, Quadria conducts on-site supervision visits to ensure the effective implementation of all related mitigation actions.

During the operational phase, Impact and ESG Team maintains a vigilant presence with periodic supervision site visits. To effectively manage any potential and/or existing negative impact, we consider independent E&S audits, leveraging external consultants if necessary.

Quadria is a signatory to the United Nations Principles for Responsible Investment and publishes its Annual Impact Report, which can be found in its website.



Principle 6:  
**Monitor the progress of each investment in achieving impact against expectations and respond appropriately**



The Manager shall use the results framework (referenced in 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 data collection; data sources; responsibilities for 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 action. The Manager shall also seek to use the results framework to capture investment outcomes.

**Quadria Alignment**

Quadria has a defined process as per the IMM framework to collect ESG and impact data from portfolio companies.

The Impact and ESG Team takes the lead in training and motivating portfolio companies to proactively gather material ESG and impact-related data. This dynamic approach involves quarterly and annual data collection from portfolio companies, forming the foundation for presenting both individual company-level

and aggregate fund-level performance against respective ESG and impact metrics to our team members, including partners and deal teams. An operational tracking template, comprising a comprehensive list of ESG and impact metrics, is used to track the performance of both companies and funds on an annual basis.

The ESG and impact year-over-year performance of a portfolio company is monitored periodically, with a comparison of target versus actual performance conducted

annually. Additionally, a current impact score is generated annually to review the yearly performance and compare it to the impact score at the time of investment.

Monitoring may be carried out either through physical site visit or virtual discussion as deemed appropriate with the portfolio company.

ESG and impact performance is publicly disclosed in Quadria's Annual Impact Report.





Principle 7:  
**Conduct exits  
considering the effect  
on sustained impact**



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

**Quadria Alignment**

When evaluating exit recommendations, the IC examines ESG and impact factors alongside the commercial considerations of the business.

As part of the IMM framework Quadria prepares an exit memorandum providing a rationale for exit and articulating the ESG and impact

performance of the investment over the ownership period. The exit memorandum, consists of the company's impact thesis and milestones achieved during the investment. Additionally, deal team, including the Impact and ESG team, adopts a meticulous approach to impact scoring, computing the impact scores at all investment stages during the time of investment, projecting an anticipated impact score at the time of exit, and evaluating

the actual impact score at the time of exit.

A final evaluation of whether the actual score at exit is in line, meets or exceeds the anticipated score at exit shall be presented in the exit memorandum, along with the full documentation of lesson-learned or insights for future investments.



## Principle 8: **Review, document and improve**



**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.**

### **Quadria Alignment**

The Impact and ESG Team at Quadria is responsible for driving the processes outlined in the IMM framework as well as the E&S policies and procedures. We apply our impact tools to determine impact eligibility and opportunities before investment, aiming to deliver best-in-class impact initiatives that drive long-term value across the portfolio. The team is actively engaged in continuously reviewing the framework, policies and procedures, drawing insights from previous investments and emerging global best practices and standards.

The Impact and ESG Team conducts a review of the framework, policies and procedures on an annual basis. Quadria is strengthening its internal impact capacity with an ESG and Impact Committee, formulated to oversee and approve the ESG and impact strategic intents. This committee approves the impact thesis

and additional findings to be presented in the final IC for each prospective deal and also approves any course corrections or deviations from the ESG-AP. The Impact and ESG Team supports the ESG and Impact Committee in the day-to-day operational roll-out of the ESG and impact processes and works in tandem with the deal team over the course of the investment cycle.

Through periodic monitoring, Quadria has been able to review the progress of portfolio companies against impact goals, thereby improving operational and strategic decision-making processes through lessons learnt. At the portfolio level, once Quadria has solidified its investments, the deal team, in collaboration with the ESG and Impact Team, regularly conducts ExCo meetings with each portfolio company. These sessions bring together the C-Suites and ESG committee members for discussions on ESG and Impact performance

as well as value creation plans, operational updates, and financial results. At the fund level, Impact and ESG Team also assesses the actual improvement in the impact score compared to both the anticipated impact score at the time of investment and the baseline impact score. We also closely examine the enhancement in performance on additional impact and ESG KPIs from the baseline year to the exit year. These findings are presented at the IC meeting, providing a comprehensive overview.

The investment team not only discusses the results but also shares valuable insights on what went well and areas that need improvement. This feedback loop is critical for refining the integration of impact and ESG throughout the deal cycle. It informs our future strategy and decision-making, ensuring that we continuously learn and evolve to make a positive impact through our investments.





Principle 9:  
**Publicly disclose  
alignment with the  
Impact Principles**



**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 an independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.**

#### **Quadria Alignment**

As a signatory of the Impact Principles, Quadria will be committed to disclosing the degree of alignment of its impact management system with the Impact Principles. This Disclosure Statement affirms the alignment of Quadria's policies, tools and procedures with the Impact Principles. It will be updated on an annual basis and published on Quadria's website. In support of its Disclosure Statement, Quadria also discloses the ESG and impact performance of its portfolio companies at both the

individual company level and the aggregate fund level in its Annual Impact Report.

In accordance with Impact Principles' requirements, Quadria has engaged BlueMark<sup>3</sup> to independently verify the alignment of Quadria's impact management practices with the Operating Principles for Impact Management, an industry standard for integrating impact throughout the investment lifecycle. BlueMark's assessment findings cover both areas of strength and areas for improvement, as reflected in the Verifier Statement. The Verifier

Statement, dated January 2024, can be found on our website.

Quadria's IMM framework will undergo independent verification regularly, at intervals of no more than three years, or whenever necessary due to significant amendments made to the IMM framework.

<sup>3</sup> BlueMark is a leading provider of impact verification services for investors and companies. Founded in 2020, BlueMark's mission is to "strengthen trust in impact investing." BlueMark's verification methodologies draw on a range of industry standards, frameworks, and regulations, including the Impact Management Project, the Operating Principles for Impact Management, the Principles for Responsible Investment, SDG Impact, and the Sustainable Finance Disclosure Regulation.



[www.quadriacapital.com](http://www.quadriacapital.com)

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