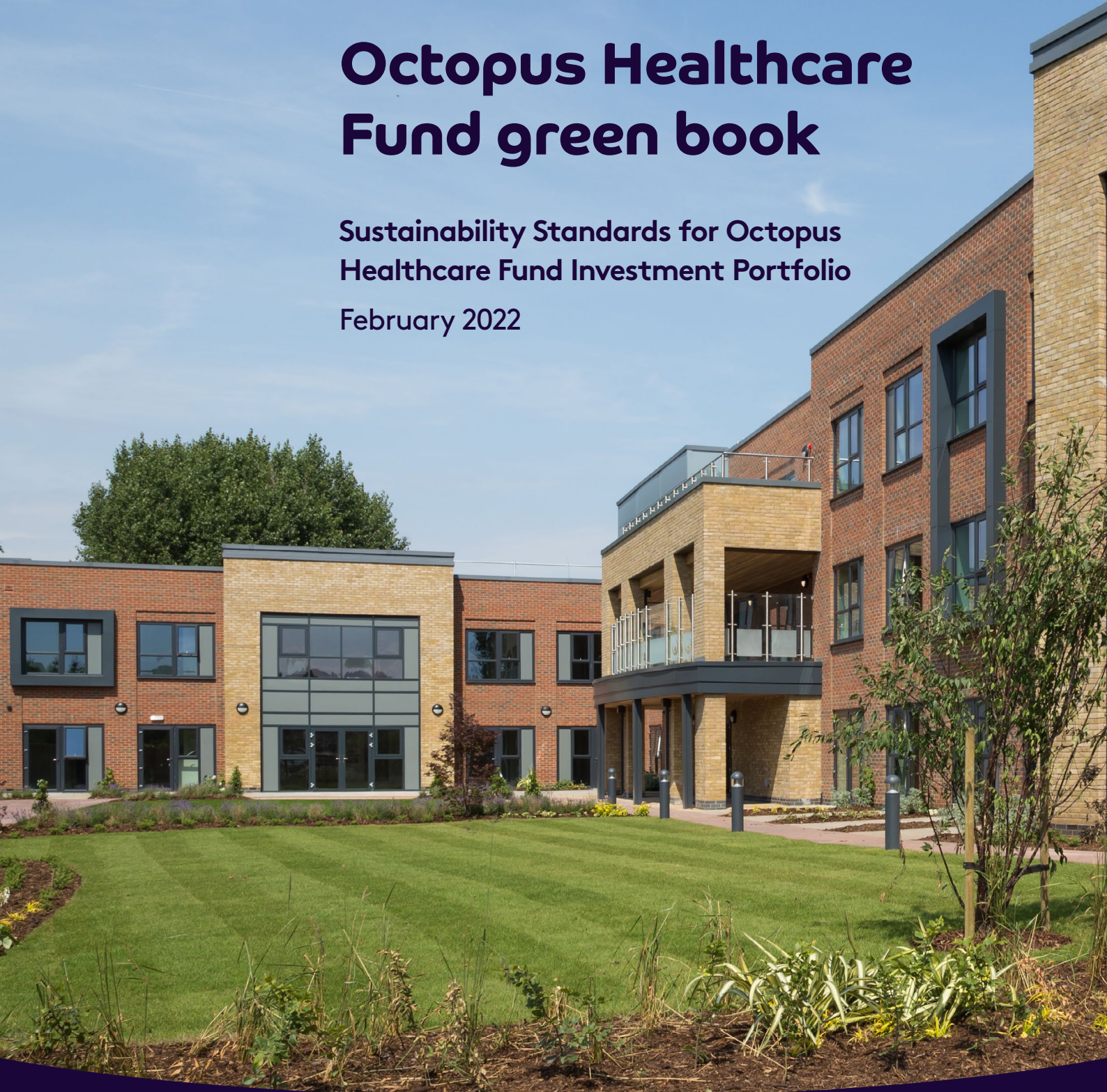


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Octopus Healthcare Fund green book

Sustainability Standards for Octopus
Healthcare Fund Investment Portfolio

February 2022



octopus real estate
A brighter way

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Overall Purpose

This Green Book sets out Octopus Real Estate's ('ORE') Environmental, Social and Governance ('ESG') requirements for the properties that it funds. It is used to appraise the ESG performance of proposed acquisitions by ensuring that due consideration is given to these matters throughout the investment decision process. Octopus Healthcare Fund ('OHF' or the 'Fund') has set ambitious, but achievable ESG targets up to 2030. It is imperative that new investments are able to meet these targets, which requires robust and diligent screening at the earliest stage. Our targets are:

- Within 3 years, 75% of the portfolio to obtain BREEAM Very Good (or better) and 10% to achieve BREEAM Excellent.
- Within 3 years, accurate data coverage for 95% of assets.
- Within 5 years, 97.5% of assets to be B Rated (or higher) and 40% of assets to be a minimum of A rated.
- Climate Resilient action plans put in place for 'high risk' properties.
- Reduction in portfolio's carbon emissions aligned with the Science Based Targets by 2030.
- By 2030, all newly developed assets will be net zero with residual emissions offset via high quality carbon sequestration projects.

We want to work collaboratively with our partners to deliver our ESG targets, which will lead to net zero carbon outcomes, longer term resilience against climate change and which continue to deliver high-quality care environments. We have made specific commitments to reduce the embodied carbon in the construction process with immediate effect, and after 2030, all newly developed assets will be net zero, with residual emissions offset via high quality carbon sequestration projects. The Fund is also committed to ensure all assets are at a net zero position by 2040.

In order to appraise the ESG performance of new acquisitions, the following information will need to be provided by the vendor:



Building Plans and Design Strategies



Energy Strategy

with EPC and/or Draft BRUKL.



Site Constraints Information

Flood Risk, Biodiversity Appraisals, Noise/Air Quality Assessments if applicable.



O&M Manuals

(if available).



Lifecycle Carbon Assessments

(if available).

This guide has been prepared by Envision, our ESG Advisors. For further technical support, Envision may be able to assist you further. Contact details on their website www.envisioneco.com.



Introduction

ORE has been employing the Green Book in investment decision making since April 2019. The Green Book provides a framework to review assets coming into the Fund, to understand whether these properties meet our ESG standards.

This Green Book has been developed to help us meet our sustainable development aspirations. As a certified B Corp, the Octopus Group strives to deliver positive benefits across all of its business lines. The Green Book provides a set of sustainability standards to be implemented across our healthcare investment

portfolio. The aspects addressed in this Green Book are informed by our ESG policy and best practices for sustainable design and construction of healthcare buildings. All new construction projects that we fund, and the standing investments that we acquire, should align with the requirements of this Green Book.

The Fund aligns its principles with the United Nations Sustainable Development Goals ('UN SDGs'), in particular:



UN SDG 3 Good Health and Well-Being

Ensure healthy lives and promote well-being for all at all ages.



UN SDG 7 Affordable and Clean Energy

Ensure access to affordable, reliable, sustainable and modern energy for all.



UN SDG 11 Sustainable Cities and Communities

Make cities and human settlements inclusive, safe, resilient and sustainable.



UN SDG 13 Climate Action

Take urgent action to combat climate change and its impacts.



UN SDG 15 Life on Land

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Alignment with the OHF ESG policy:

As investors in the UK healthcare sector, OHF considers sustainability as intrinsic to the way it does business, and an essential way to link the long-term financial performance of its investments with their

environmental and social outcomes. It is vital that the Fund's assets are sustainable in their design and operation, are resilient to a changing environment and social needs and provide high quality spaces that are healthy and provide a healing environment for people.

In support of our principles and practices, OHF has identified the following fund specific objectives as part of our ESG management framework:

- To minimise climate change impacts and encourage sustainable use of natural resources;
- To protect the natural environment;

- To provide a safe and healthy environment which supports wellbeing; and
- To maximise socio-economic benefits and minimise impacts on biodiversity.
- To provide access to clean energy across the portfolio.



Structure

The Green Book puts our policy into practice. The sustainability standards set out in this document are structured as:

- **OHF ESG Requirements** - required for all assets coming into the Fund to ensure ORE achieves its published ESG targets for OHF;
- **Climate Related Risk** - all assets will be subject to a preliminary appraisal to identify potential future risks related to climate change and any required mitigation;
- **Additional ESG Indicators of Good Performance** - best practice design, construction and management measures that ORE would encourage to be included in assets within OHF, and which aid investment decision making.

The way in which the requirements of the Green Book would be applied in practice are set out.



Assessment of Forward Funding Investment Opportunities

In order to embed ESG within the investment decision making and development monitoring process, the following Sustainable Development and Refurbishment Framework should be completed on each scheme.

A simplified diagram explaining the overall process is provided below in **Figure 1** below.

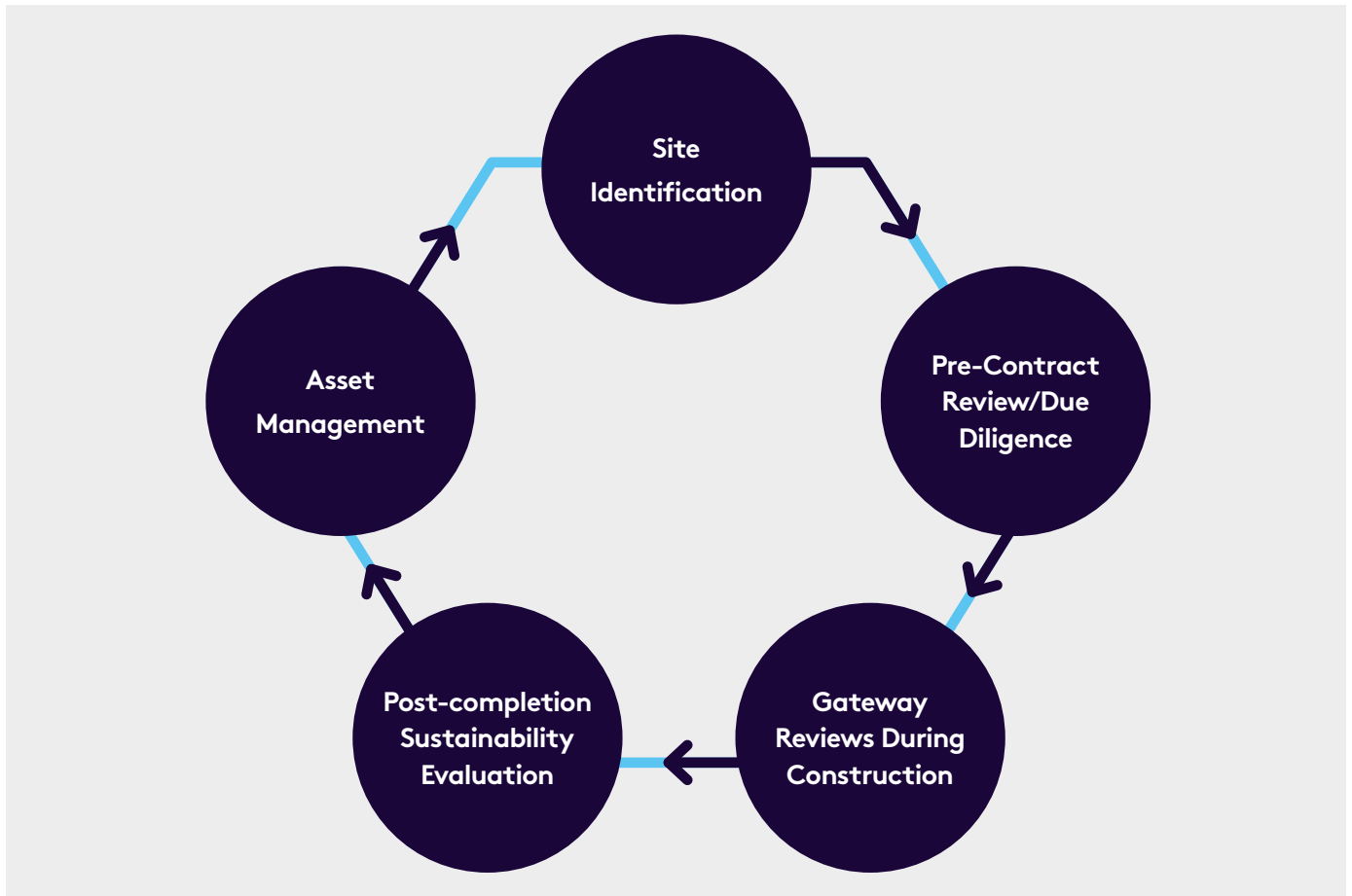


Figure 1 Sustainable Development and Refurbishment Framework

The detail of each stage, together with roles and responsibilities, are set out below within the Sustainable Development and Refurbishment Framework process. The intention of the process is to drive improved ESG performance of our portfolio.



Site
Identification



Pre-Contract
Review/Due
Diligence

A Pre-Contract Sustainability Review is completed as part of the due diligence process. The assessment is undertaken by a sustainability consultant and fund monitoring surveyor, in conjunction with OHF and the vendor/developer thus reflecting the collaborative nature of the process. Using the available documentation and design details, the sustainability consultant assesses the investment opportunities against the key ESG requirements and additional indicators of good performance identified within this document.

The vendor/developer would be required to load a data room with the relevant scheme details, documents and reports to enable a review to be completed by the monitoring surveyor and sustainability consultant who would identify data gaps for the borrower to address. A summary of the information requirements is included at the beginning of this document. Using the available documentation and design details, the sustainability consultant would assess the status of the asset against the key ESG requirements, to ensure the investment opportunity supports ORE in achieving its published ESG targets for the Fund. The appraisal will be presented based on a RAG rating approach, as defined below.

RAG Key



High risk

In conflict with OHF's ESG targets and presents a risk to investment



Medium risk

Not compliant with OHF's ESG Targets but it is considered that compliance could be attained through amendments to the specification/design, or by the provision of funds to retrospectively rectify shortfalls. OHF will specify that this should be attained as a minimum requirement of funding.



Low risk

Compliant with OHF's ESG targets or considered acceptable.

In addition, the sustainability consultant would appraise how well the development proposals align with the additional ESG indicators of good performance that have been identified within the Green Book.

Once the sustainability status of the development is known, the sustainability consultant would set out a number of recommendations to monitor which would form the Sustainability Brief for the development.

A summary of performance should be provided to the ORE Investment Committee. This includes an overall Sustainability Verdict for the investment opportunity, based on both the current analysis and what could be achieved if the recommendations are implemented. The format of this summary report is shown below on **page 11**.

Recommendations will also be made as to requirements to be included in the development agreement to ensure delivery of the ESG commitments.

Octopus Healthcare Development and Refurbishment Sustainability Pre-contract Review												
Details Investment Under Review - Development Scenario - Forward Funded Investment Date - Reviewer -	Sustainability Verdict Overall - Reportable - Assessable - Comments -	With Recommendations Overall - Reportable - Assessable - Comments -										
Summary 												
Performance at a glance <table border="1"> <thead> <tr> <th>Key ESG Requirement</th> <th>Additional ESG Indicators of Good Performance</th> </tr> </thead> <tbody> <tr> <td>BREEAM Rating</td> <td rowspan="7"> * Achieved - Potential </td> </tr> <tr> <td>EPC Rating</td> </tr> <tr> <td>Automatic Metering System</td> </tr> <tr> <td>Fossil Fuels</td> </tr> <tr> <td>On-site Renewables</td> </tr> <tr> <td>Green Tariff</td> </tr> <tr> <td>Embodied Carbon</td> </tr> </tbody> </table>			Key ESG Requirement	Additional ESG Indicators of Good Performance	BREEAM Rating	 * Achieved - Potential	EPC Rating	Automatic Metering System	Fossil Fuels	On-site Renewables	Green Tariff	Embodied Carbon
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BREEAM Rating	 * Achieved - Potential											
EPC Rating												
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Fossil Fuels												
On-site Renewables												
Green Tariff												
Embodied Carbon												
Recommended Sustainability Requirements to improve the Verdict <ul style="list-style-type: none"> • • 												

Octopus Healthcare Development and Refurbishment Sustainability Pre-contract Review			
Preliminary Climate Risk Appraisal			
Flood Risk			
Heat Stress			
Water Stress			
Ground Risk			
ORE K Summary			
	1 Negative	2 Neutral (Meets minimum requirements)	3 Positive (Meets Aspirational requirements)
E			
S			
G			

Octopus Healthcare Fund Development and Refurbishment Sustainability Pre-contract Review.



During procurement and construction, sustainability ‘gateway reviews’ are completed to collate specific details of construction and monitor alignment with the ESG targets/ achievement of the ESG commitments. The number and frequency of the gateway reviews will be dictated by the project size and duration and would be agreed by the sustainability consultant, monitoring surveyor and ORE.

Once a property reaches Practical Completion, a Post-Completion Review is undertaken to evaluate the success of the development in meeting the requirements of the Sustainability Brief. This part of the process allows for a period of reflection and lessons learned to be fed back and retained by ORE to enable better site identification (deal sourcing) moving forward.

A critical aspect of the process relates to Asset Management. There are aspects of a building’s management, such as energy use, that will directly influence the sustainability performance of the property, and therefore require monitoring. Relevant requirements on asset management and reporting will be placed on the tenant/asset manager under Green Lease provisions and through the soft landings approach. The sustainability consultant will then be engaged to appraise annual data to identify areas for improvement and assess the portfolio against BREEAM In Use criteria.

Assessment of Standing Investments

It is recognised that it is more difficult to impose sustainability criteria upon standing investments and the outcomes are heavily dependent on the age of the properties. In these cases the pre acquisition review needs to consider how the development aligns with best practices in sustainable design and construction, and how the acquisition of the asset is likely to affect long term targets of the fund.

Most properties acquired by ORE in this category are either recently completed or are being constructed with a commitment to acquire the property when it reaches

completion high standards are therefore expected. The appraisal should consider climate related risks as part of the wider objectives of the fund under Task Force on Climate-Related Financial Disclosures.

Where available, baseline monitoring of waste, water and energy use of the asset in operation needs to be gathered and reviewed. If no data is available in this regard, the feasibility for installing metering and adopting waste management methods should be considered in the short term.



Octopus Healthcare Fund

Key ESG Requirements

The following requirements are required for all assets coming into the Fund, irrespective of the time and development stage that asset has reached at the time of acquisition, and have been set to ensure ORE achieves its published ESG targets for the Fund.

OHF ESG Target	OHF New Acquisition Key ESG Requirements
Within 3 years, 75% of the portfolio to obtain BREEAM Very Good (or better) and 10% to achieve BREEAM Excellent	Achieve BREEAM Excellent.
Within 3 years, accurate data coverage for 95% of assets	Automatic metering system for all energy and water consumption. All tenants agree to use Measurabl data management platform.
Within 5 years, 97.5% of assets to be B Rated (or higher) and 40% of assets to be a minimum of A rated	Achieve a minimum of EPC A rating.
Reduction in portfolio's carbon emissions aligned with the Science Based Targets by 2030	No fossil fuels used on site. Onsite renewable energy source. Energy purchased via green tariff.
By 2030, all newly developed assets will be net zero	Calculate embodied carbon on new construction.

Preliminary Climate Risk Appraisal

The Fund also has a target to ensure "Climate Resilient action plans are put in place for 'high risk' properties". In order to provide a high level review of assets coming into the portfolio, a preliminary appraisal will be undertaken of future climate risk, based on the following attributes:

- Flood risk
- Heat stress
- Water stress
- Ground risk

Where high risk is identified, there will be an expectation for mitigation.

Additional ESG Indicators of Good Performance

The ESG Indicators of Good Performance represent design, construction and management measures that ORE would encourage to be included in assets within the Fund.

These indicators reflect the four objectives outlined in the Fund's ESG policy (colour coded per table overleaf):

- To minimise climate change impacts and encourage sustainable use of natural resources;
- To protect the natural environment;
- To provide a safe and healthy environment which supports wellbeing; and
- To maximise socio-economic benefits and minimise impacts on biodiversity.

To reflect the nature of the investments, the Green Book specifies which ESG Indicators of Good Performance are applicable to each of the following scenarios:

Forward Funded Investment (FF)

This is applicable to schemes that are yet to be constructed, although may have secured planning consent. In this scenario, The Fund would be looking to work with developers to seek to achieve sustainability targets over and above that of any statutory requirement.

Standing Investment (SI)

This would apply to homes that are operational. Under this scenario, the opportunities to influence design decisions are no longer possible. The sustainable characteristics of the buildings are however important, for example whether they pose future risks from climate change factors, or other potential environmental and social impacts. Furthermore, there may still be opportunities to embed sustainability measures retrospectively, for example by upgrading plant which can be considered through this process.

Standards have been established based on initial consideration of the building/development location and build specification and their alignment with the relevant expected certifications, with a final section on management controls.

Additional ESG Indicators of Good Performance	Applicable	
	FF	SI
Building Location		
Site located in area of low flood risk for rivers and sea	•	•
Site located in area of low risk from pluvial (surface water) flooding	•	•
Site located in a 'low' risk area of water stress	•	•
Development should be located within 15 minute walking distance of rail or bus stop with frequent services and local amenities	•	•
Development is on brownfield land	•	•
Contaminated land risk assessment with remediation strategy if applicable	•	
Noise Assessment where risks identified, with mitigation as necessary	•	•
Air Quality assessment where risks identified, with mitigation as necessary	•	•
Site is in a suitable location so that most staff would live within 30 minutes travel time	•	
Certifications		
Achieve Secured by Design certification	•	
The project achieves a minimum score of 35 under the Considerate Constructors Scheme (CCS) Copy	•	
Specific Design Features		
All developments attenuate rainfall to prevent flooding on or off site based on a 1:100 year rainfall event plus climate change (Minimum 30%)	•	•
Incorporation of Sustainable Drainage Solutions to manage surface water and aim to achieve greenfield runoff rates	•	•
Dedicated waste recycling storage area to be included	•	•
Onsite composting facility	•	•
Dynamic energy modelling of different operational scenarios, including predicted future climatic conditions using TM54	•	•
Daylight/timer controls specified for external lighting	•	•
Achieve a 25% reduction in water consumption in BREEAM Wat 1	•	
Incorporate water efficient fittings, including dual flush WCs and low flow taps	•	•
Rainwater or grey water used for irrigation, and if feasible, toilet flushing	•	•
System to detect major leak on water supply	•	•
Provision of cyclist facilities for at least 10% of staff	•	•
Provide electric vehicle charging points for >10% of car park spaces	•	•
Development should have a high greenspace factor (>30% of the site area given to green cover).	•	

Net gain in Biodiversity Value	•	•
External lighting designed in accordance with ILE Guidance on reduction of obtrusive light	•	•
2% daylight factor achieved in 'day space' rooms and bedrooms	•	•
All occupied rooms to have view out	•	•
Glare control strategy to minimise risk of glare	•	•
Internal lighting lux levels meet requirements of SLL Code for Lighting 2012 or equivalent standard	•	•
Low VOC/formaldehyde levels specified in decorative finishes, with pre-completion testing	•	
Indoor Air Quality testing / monitoring	•	•
All residents' private rooms include temperature controls	•	•
Thermal comfort levels are assessed using CIBSE TM52 and meet criteria in CIBSE Guide A Environmental Design / HTM 03-01, including future climate scenarios	•	•
Airborne sound insulation values are 5dB higher and impact sound insulation values are 5 lower than the performance standards in Building Regulations Document E / HTM 08-01	•	•
Provision of outdoor amenity space with seating	•	•
Provision of space for community gardens, orchards and/or allotments	•	•
The site has dedicated parking for care staff, and for emergency vehicles with good access to main reception.	•	•
Consultation with local communities to identify needs for shared facilities and development includes suitable communal multipurpose social spaces	•	•
Building is designed to enable further expansion or renovation	•	•
Provision of separate outdoor amenity space for staff	•	•

Management Controls

Sustainable Procurement Plan in place for construction	•	
Site Waste Management Plan with 85% reduction of construction and demolition wastes	•	
Use of pre-fabricated and offsite modular construction to minimise onsite waste generation	•	
Energy and water consumption monitored during construction	•	
Provision of Sustainable Travel Plan	•	•
Construction Environmental Management Plan	•	
Landscape and Habitat Management Plan	•	•
Engagement and liaison with local community during design and construction	•	
Establish long term connections with local community groups	•	•
Procurement strategy promotes local opportunities	•	•



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