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Octopus Healthcare Fund Green Book

Octopus Healthcare Fund Sustainability Standards
2024

octopus real estate
A brighter way

Prepared by envision

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Introduction and targets

This Green Book sets out Octopus Healthcare Fund's Environmental, Social and Governance ('ESG') requirements for its healthcare properties.

The Green Book appraises the ESG performance of proposed acquisitions through diligent screening within the investment decision process. Octopus Healthcare Fund ('OHF') has set ambitious, achievable ESG targets up to 2040. New investments have to meet these targets:

By 2025:

- 95% of the portfolio to obtain BREEAM In Use 'Very Good' (or better), 25% to achieve 'Excellent', and the first 'Outstanding' rating to be achieved.
- 100% of assets to be EPC B rated (or higher) and 40% of assets to be a minimum of A rated.
- All assets to have a plan for physical climate-related risks.
- All new developments to reach the upfront embodied carbon target at practical completion.
- All newly developed assets to exceed 10% Biodiversity Net Gain.
- All new developments to achieve a minimum BREEAM New Construction rating of Very Good, with 25% achieving Excellent.

By 2030:

- Reduction in the portfolio's carbon emissions aligned with the Science Based Targets Initiative.
- All newly developed assets will be net zero carbon, with residual emissions offset via high quality carbon sequestration projects.
- 100% of assets to be EPC B rated (or higher), and 80% of assets to be a minimum of A rated.

By 2040:

- A net zero carbon position on all assets.

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 continue to deliver high-quality care environments.

The ESG performance of new acquisitions will be appraised at the pre-contract stage, and then tracked through to completion (See Appendix I for full details).

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 envisioneco.com.

In order to achieve this, the following information will need to be provided :

Building plans and design strategies

Energy strategy with EPC and/or draft BRUKL

Site constraints information Flood risk, biodiversity appraisals, noise/air quality assessments as applicable

Lifecycle carbon assessments

O&M manuals

ESG requirements

Our **Responsible Investment Policy** and Best Practices for sustainable design and construction of healthcare buildings inform the requirements set out within this Green Book. These are categorised in line with OHF's ESG objectives:

- To minimise contribution to climate change and provide access to clean energy
- To mitigate effects of climate change
- To encourage biodiversity
- To protect the natural environment
- To encourage sustainable use of natural resources
- To provide a safe and healthy environment which supports wellbeing
- To maximise socio-economic benefits
- To encourage good governance practices

The requirements below are to be implemented across our portfolio. All new construction projects that we fund, and the standing investments that we acquire should align with the requirements of this Green Book. See Appendix I for details of how these requirements are assessed throughout the investment process.

Core requirements

These are the standards which OHF consider to be critical in achieving its ESG targets, and must be met for all investments:

- Achieve, or be predicted to achieve BREEAM In Use Excellent
- Achieve a minimum BREEAM New Construction Very Good (FF only)
- Automatic metering system for all energy and water consumption
- Achieve a minimum EPC A rating
- No fossil fuels used on site
- On-site energy generation from photovoltaic panels maximised
- Energy purchased via green tariff
- A-C whole life carbon emissions assessed
- All new developments to reach the upfront embodied carbon target of 410 $kgCO^2/m^2$ GIA
- Achieve over 10% Biodiversity Net Gain on new construction

Full list of requirements

(Core requirements highlighted in blue)

For Standing Investments, where justification is provided that the requirement is not feasible for the asset, this will be reviewed accordingly.

	Requirement	KPI (if applicable)	Evidence	Applicability	
				FF	SI
Net Zero Objective: To minimise contribution to climate change and provide access to clean energy					
Embodied carbon[1]	A1-A5 upfront embodied carbon emissions to be below 410 $kgCO_2/m_2$ GIA	$kgCO_2/m_2$ GIA	LCA	●	
	A-C whole life carbon emissions assessed	$kgCO_2/m_2$ GIA	LCA	●	
	A-C (excluding B6-B7) whole life carbon emissions to aspire to 810 $kgCO_2/m_2$ GIA	$kgCO_2/m_2$ GIA	LCA	●	
Operational carbon	Minimum EPC rating of 'A'	A-G	EPC	●	●
	No fossil fuels used on-site	—	Energy strategy	●	●
	On-site energy generation from photovoltaic panels maximised	% roofspace	Roof plans	●	●
	Use of low carbon technology, e.g., ground or air source heat pumps	% annual energy demand	Energy strategy / BRUKL	●	●
	Energy for the asset is procured via a green tariff	—	Procurement	●	●
	Dynamic energy modelling of different operational scenarios, including predicted future climatic conditions, using TM54	—	TM54 assessment	●	●
	Installation of battery storage linked to on-site generation (minimum 39kWh)	—	Energy strategy	●	●
Energy efficiency	Automatic metering system in place for all energy consumption	—	Metering schematic	●	●
	Provision of energy sub-metering linked to BMS	—	Metering schematic	●	●
	Provision of electric vehicle charging points for >10% of car park spaces	% EVCP	Site Plan / specification	●	●
	Daylight/timer controls specified for external lighting, designed in accordance with ILE guidance on reduction of obtrusive light	—	External lighting layouts	●	●

[1]Please refer to the OHF Developer's Embodied Carbon Guide for further details on requirements and reporting.

Full list of requirements

(Core requirements highlighted in blue)

	Requirement	KPI (if applicable)	Evidence	Applicability	
				FF	SI
Climate change Objective: To mitigate effects of climate change					
Flood risk	Site located in an area of low flood risk from rivers and sea, or appropriate mitigation in place	—	Flood risk zone	●	●
	Site located in an area of low risk from surface water flooding, or appropriate mitigation in place	—	Flood risk zone	●	●
	Rainfall attenuated to prevent flooding on or off site, based on a 1:100-year rainfall event plus climate change allowance (min. 30%)	—	Drainage strategy	●	
Heat stress	Site located in a 'low' risk area of heat stress, or appropriate mitigation measures in place	—	Heat stress risk	●	●
Water stress	Site located in a 'low' risk area of water stress, or appropriate mitigation measures in place (as defined below)	—	Water stress risk	●	●
	Water efficient fittings in line with BREEAM In Use standards installed, including dual-flush WCs and low flow taps and showers	—	Sanitaryware schedule	●	●
	Rainwater or grey water used for irrigation, and if feasible, toilet flushing	—	Specification	●	●
	Automatic metering system in place for all water consumption	—	Metering schematic	●	●
	Provision of water sub-metering connected to BMS	—	Metering schematic	●	●
	Provision of water leak detection system and flow control devices	—	Water services layout	●	●
Ground risk	Site located in a 'low' ground stability risk area, or appropriate mitigation measures in place	—	Ground stability risk	●	●
Storm risk	No significant storm risks identified, or appropriate mitigation measures in place	—	Storm risk	●	●

Full list of requirements

(Core requirements highlighted in blue)

	Requirement	KPI (if applicable)	Evidence	Applicability	
				FF	SI
Biodiversity and ecology Objective: To encourage biodiversity					
Biodiversity Net Gain (BNG)	Net gain in biodiversity of minimum 10%	% BNG	Ecology report	●	
Landscape design and management	A high greenspace factor, with >30% of the site area given to green cover	% Greenspace	Site plans	●	●
	A landscape and ecology management plan has been developed for the site	—	LEMP	●	●
Environmental Objective: To protect the natural environment					
Previous land Use	Development to be on brownfield land	—	Site plans	●	
	Contaminated land risk assessment undertaken where applicable, with remediation strategy in place as required	—	Phase 1 report	●	
Sustainable drainage	Sustainable drainage solutions are incorporated to manage surface water and achieve greenfield run-off rates	Surface water run-off rates	Drainage strategy	●	●
Noise pollution	Noise impact assessment (NIA) undertaken where risks identified, with mitigation as necessary	—	NIA	●	

Full list of requirements

(Core requirements highlighted in blue)

	Requirement	KPI (if applicable)	Evidence	Applicability	
				FF	SI
Circular economy & resource use Objective: To encourage sustainable use of natural resources					
Construction impacts	Resource management plan (RMP) produced, with commitments for 85% avoidance from landfill, and <6.5 tonnes of construction waste produced per 100m^2 GIFA	% tonnage	RMP	●	
	10% of total value of materials from recycled / reused content	% value	Material management plan	●	
	Water consumption during construction monitored	m^3	CEMP	●	
	Energy consumption during construction monitored	kWh	CEMP	●	
Operational waste	Provision of dedicated waste storage area, with segregation of 3 different waste streams	—	Site plan	●	●
	Onsite composting facility	—	Site plan	●	●
Future adaptation	The building is designed to enable further expansion or renovation		Building plans	●	●

Full list of requirements

(Core requirements highlighted in blue)

	Requirement	KPI (if applicable)	Evidence	Applicability	
				FF	SI
Health and wellbeing Objective: To provide a safe and healthy environment which supports wellbeing					
Healthy materials	Materials specified which disclose potential health hazards (e.g., Health Product Declaration)	—	Material specification	●	
Acoustic performance	Airborne sound insulation values are 5dB higher and impact sound insulation values are 5dB lower than the performance standards in Building Regulations Document E / HTM 08-01	dB	Acoustic report	●	●
Thermal comfort	Temperature controls included in all residents' private rooms	—	Heating layout	●	●
	Thermal comfort levels have been assessed using CIBSE TM52 and meet criteria in CIBSE Guide A Environmental Design / HTM 03-01, including for future climate scenarios	—	TM52 assessment	●	●
Visual comfort	Good provision of glazing to accommodate view outs and good daylighting in 'day space' rooms and bedrooms	—	Building plans	●	●
	Glare control strategy in place to minimise risk of glare	—	Glare control strategy	●	●
	Internal lighting lux levels meet requirements of SLL Code for Lighting 2012 or equivalent standard	Lux levels	Lighting plans	●	●
Air quality	Air quality assessment where risks identified, with mitigation as necessary to protect the H&WB of the development's residents	—	AQA	●	●
	Low VOC/formaldehyde levels specified in decorative finishes, with pre-completion testing	TVOC and formaldehyde concentrations	Finishes specification	●	
	Provision of carbon dioxide monitors to measure indoor air quality	—	Specification	●	●
External spaces	Provision of outdoor amenity space with seating	—	Landscaping plan	●	●
	Provision of separate outdoor amenity space for staff	—	Landscaping plan	●	●
	Provision of space for community gardens, orchards and/or allotments	—	Landscaping plan	●	●

Full list of requirements

(Core requirements highlighted in blue)

	Requirement	KPI (if applicable)	Evidence	Applicability	
				FF	SI
Social value Objective: To maximise socio-economic benefits					
Local opportunities	25% of supply chain are locally based firms	—	Procurement plan	●	●
	The site is located suitably so that most staff would live within 30 minutes travel time	—	Site location	●	●
Community engagement	Meaningful efforts have been made to engage and liaise with community stakeholders	—	SCI	●	●
	The development includes suitable communal multipurpose social spaces that are able to be utilised by local community groups	—	Building plans	●	●
Transport and amenities	The site is located within 1km walking distance of rail or bus stop with frequent services (>2x/hour)	—	Site location	●	●
	Development located within 500m of amenities (e.g., post, ATM, food outlet, pharmacy)	—	Site location	●	●
	Provision of cycle storage for at least 10% of staff	—	Site plan	●	●
	Provision of cyclist facilities (e.g., lockers, changing room, shower)	—	Building plans	●	●
	A sustainable travel plan is in place for the asset	—	Travel plan	●	●

Full list of requirements

(Core requirements highlighted in blue)

	Requirement	KPI (if applicable)	Evidence	Applicability	
				FF	SI
Construction governance Objective: To encourage good governance practices					
Sustainable accreditation	A minimum BREEAM new construction 'Very Good' rating is achieved, with justification provided where an Excellent rating is not feasible	BREEAM rating	Certificate	●	
	A BREEAM In Use 'Excellent' rating has been, or is predicted to be, achieved	BREEAM rating	Certificate	●	●
Policies*	Business Ethics Policy	—	Policy	●	
	Child Labour Policy	—	Policy	●	
	Human Rights Policy	—	Policy	●	
	Labout Standards and Working Conditions Policy	—	Policy	●	
	Modern Slavery Policy	—	Policy	●	
	Health, Safety & Wellbeing Policy	—	Policy	●	
Considerate management	A minimum Considerate Contractors Scheme (CCS) score of 39 is achieved, with a minimum of 13 in each section	CCS score	Certificate	●	
	A Construction Environmental Management Plan has been developed for the site	—	CEMP	●	
Site safety	On-site safety is promoted through e.g., having medical personnel available, safety information communicated, improvements to safety performance, and safety leadership and practices	—	On-site safety plans	●	
	Injury rates are monitored during construction	Lost time injury frequency rate (LTIFR)	Contractor report	●	

*Where developers do not have these policies in place, they will be required to accept the relevant Octopus Investment policies.

Appendix I – Assessment of investment opportunities

Forward funded investments

This applies to schemes that are yet to be constructed, although they may have secured planning consent. In this scenario, the Fund works with developers to achieve sustainability targets over and above any statutory requirements, to drive the improved ESG performance of our portfolio, and to ensure the investment opportunity supports OHF in achieving its published ESG targets.

In order to embed ESG within the investment decision making and development monitoring process, the following steps are completed:

1. Site identification & pre-contract review/due diligence

Led by OHF's sustainability consultant, the parties carry out a pre-contract sustainability review as part of the initial due diligence process; the vendor/developer will load a data room with the relevant information (set out above) to enable this. The review assesses the asset's status against the ESG requirements, and sets out a number of recommendations for improvements.

It includes a preliminary climate risk appraisal (as part of the Fund's wider objectives under Task Force on Climate-Related Financial Disclosures); where high risk is identified we'll need mitigation.

The ORE Investment Committee then review the outcomes, including an overall sustainability verdict for the investment opportunity. If the Committee approves the funding, the recommendations will be included in the funding agreement and listed in the Green Book Tracker.

2. Green book tracker

During construction, the developer will report on the requirements and metrics within the 'Green Book Tracker'. The input is dictated by the project size and duration and agreed upon by the sustainability consultant, monitoring surveyor and OHF.

3. Post-completion sustainability evaluation

At practical completion, a post-completion Review is undertaken to evaluate the success of the development in meeting the Green Book requirements. This allows for a period of reflection and lessons learned to be fed back and retained by OHF to enable better site identification (deal sourcing) moving forward.

4. Asset management

Asset Management is a critical part of the process, as there are aspects of a building's management, such as energy use, that will directly influence its sustainability performance and therefore require monitoring and reporting. Relevant requirements on this will be placed on the tenant/asset manager under green lease provisions. 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.

Standing investments

This applies to operational homes. We recognise that it is more difficult to impose sustainability criteria here, and that the outcomes are heavily dependent on the age of the properties.

Under this scenario, a pre-acquisition review is undertaken as above, considering how the asset aligns with best practices in sustainable design and construction, and how its acquisition is likely to affect the Fund's long-term targets and ESG performance.

So while this assessment has greater flexibility than with forward funded investments, high standards are still expected, with most properties in this category recently completed. Recommendations will focus on opportunities to embed sustainability measures retrospectively, for example by upgrading mechanical plant and incorporating PV panels. The above Asset Management section also applies.

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