

Octopus Healthcare Fund Impact Framework

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A brighter way

Octopus Healthcare Fund ('OHF') has developed this Impact Framework to support impact management and reporting throughout the Investment cycle. The 'Operating Principles for Impact Management' ('Impact Principles') provides a reference against which this framework can be assessed. The Framework is based on the 'IRIS+' metrics and embraces the 'Five Dimensions of Impact' as defined by the Impact Management Project. The Framework incorporates IRIS metrics to quantify and monitor the Fund's performance.

The OHF impact objective is part of the formally approved investment mandate and is engrained within the fund investment strategy. OHF addresses the societal care requirement and contributes to the growing need for quality real estate that supports the health and well-being of the UK's ageing population through the provision of quality, modern standard, purpose-built care homes.

Fund strategy alignment with the UN Sustainable Development Goal's ('UN SDG'):

- Goal 3 - Ensure healthy lives and promote well-being for all.
- Target 3.8 - Achieve access to quality health-care services.
- The Fund identifies the number of new and the total number of beds contributed to the market as defined in the 'Impact Framework Overview' overleaf each quarter in comparison to the same statistics for the market as a whole (provided by Carterwood). These impact measures demonstrate alignment with 'UN SDG 3' through providing access to quality healthcare services in an environment designed to promote individuals well-being.
- The basis of preparation of the impact KPIs is described in point '4. What is the Contribution' section in the 'Impact Framework' table on the next page.



Impact in the investment cycle

All assets in the Fund are assessed to identify their impact contribution throughout their lifecycle.

- Pre-investment
 - Demographics, including the present and future shortfall in care beds of a location and the opportunity to contribute quality, modern standard, purpose-built care beds, are reviewed during the due diligence process on all new investments.
 - All investments go through a two-stage approval process ('Green Light' and 'Full' Approval). Impact metrics are considered at both approval stages to assess whether the investment will meet the impact investment objective, and therefore whether the investment will be approved.
- Holding period
 - The continued impact of an asset is monitored throughout the holding period:
 - The 'quality' aspect of care provision is monitored through the Care Quality Commission (the regulatory body) inspection reports and the ongoing monitoring of the care service provided by the Octopus Real Estate Clinical Assurance team.
 - The physical condition of the buildings is monitored by the property and investment teams, ensuring that the assets remain fit for purpose.

Impact Assessment and Reporting - scope and approach

Quarterly impact assessment: Impact data is collated and calculated quarterly by The Property and ESG Manager, reviewed and approved by a member of the investment team and presented to investors in the Investor Quarterly Reports.

Criteria for inclusion of assets in quarterly impact: Assets are included in the Impact KPIs at the point in time that it reaches Practical Completion, or at the point of acquisition for standing investments. Assets entering the Fund through a merger event are included in the Impact KPIs at the point the merger is completed.

In order to monitor impact, the Fund uses the following definitions:

“Quality care beds” are defined as:

- Quality Care: those homes that are not rated “Inadequate” by the CQC.
- Real Estate: beds which meet the following criteria: (a) a bedroom with an en-suite wet room in a care home built (or converted) to modern standards and (b) operated by a care provider delivering quality care.
- An annual review of the portfolio impact is presented in the Fund’s Business Plan.
- Annual Disclosure Statement to be uploaded to Octopus Real Estate Website and submitted to the Impact Principles.

Impact Framework Overview

Dimension of Impact	Application to OHF	Measurement (inc. IRIS+ metrics)
1. WHAT is the goal?	Increase access to quality care for the elderly (and others with long term conditions) through the provision of modern, purpose-built care homes.	<p><u>UN Sustainable Development Goals:</u></p> <ul style="list-style-type: none"> • Goal 3 - Ensure healthy lives and promote well-being for all at all ages <ul style="list-style-type: none"> ➢ Target 3.8 - Achieve access to quality healthcare services • Goal 11 - Make cities and human settlements inclusive, safe, resilient and sustainable
2. WHO is affected?	<ul style="list-style-type: none"> • Which stakeholders benefit from OHF's activities? • What is the demographic of these stakeholders? 	<ul style="list-style-type: none"> • <u>Target Stakeholders:</u> Patients/Residents • <u>Target Stakeholder Demographic:</u> Elderly/Older Adults
3. HOW MUCH change is happening?	<ul style="list-style-type: none"> • How many care homes are owned by OHF? • How many care beds are provided in these care homes? <ul style="list-style-type: none"> • How does the Fund ensure they are "quality care beds"? (This is also relevant to RISK below.) 	<ul style="list-style-type: none"> • Total number of healthcare facilities managed • Total number of residents supported <ul style="list-style-type: none"> • <u>Quality assurance mechanisms:</u> <ul style="list-style-type: none"> ➢ Peer review/supervision ➢ Communication and education strategies ➢ Audit and feedback • <u>Real estate quality assurance:</u> (1) OHF minimum standards for design, construction and environmental performance ('Green Book'); (2) annual inspections and energy usage data collection; (3) use of monitoring surveyors during build. • <u>Clinical quality assurance:</u> (1) Care Quality Commission (CQC) reports and ratings; (2) Octopus' full time, in-house Clinical Assurance Team assessment and education strategies; and (3) further oversight provided by Octopus' Clinical Assurance Board.
4. What is the CONTRIBUTION?	How does OHF reduce the deficit of care beds in the UK, and help maintain the current stock?	<ul style="list-style-type: none"> • <u>New Care Beds:</u> The number of newly developed quality care beds funded by OHF in each period as a proportion of (a) all newly developed quality care home beds across the UK in the same period, and (b) the UK shortfall of quality care beds at the start of the period. • <u>Total Care Beds:</u> The total number of quality care beds in OHF's portfolio as a proportion of the UK's quality care bed stock at a given point in time.
5. What is the Impact RISK?	Key Risk: Do the "quality care beds" that OHF funds benefit those who need them?	While OHF's investment strategy primarily focuses on care homes which target the self-pay resident market, approx. 25-30% of residents in OHF care homes are funded by Local Authorities or the NHS. Furthermore, even as homes in the portfolio age, they will still provide high-quality, purpose-built care beds which meet market standards and are superior to most UK care homes. Therefore, it is key to (a) exit value for OHF, and (b) the UK's total supply of quality care beds that the homes OHF initially funds continue to be operated for the long-term in a way that delivers meaningful social impact.



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