Octopus Healthcare Fund: Sustainability-related Disclosures

This document includes the pre-contractual disclosures which are required to be made by the Manager as alternative investment fund manager with respect to Octopus Healthcare Fund (the "**Fund**") pursuant to Articles 6(1), 7(1) and 9(1) of the EU Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**").

Terms used but not defined herein have the same meaning as given to them in the Fund's Private Placement Memorandum (the "**PPM**"). This document is supplemental to, and should be read in conjunction with the PPM.

The applicability of entity level principal adverse impact requirements (the "**PAI Requirements**") under SFDR for financial market participants located outside the European Union (such as the Manager) is currently unclear and it may be that such requirements do not apply to the Manager or the Fund on the basis that the Manager is located outside the European Union and has fewer than 500 employees. Nevertheless, the Manager has decided to voluntarily comply with the PAI requirements on an entity and product level in respect of the Fund, as further detailed in the pre-contractual disclosures below. SFDR and the ESG regulatory landscape are evolving and the applicable requirements may change in the future. The Manager is commited to complying with the regulations and obligations applicable to it as it knows them to be and will review any such requirements on an ongoing basis and update this document and its approach to its obligations as required.

Article 6 of the SFDR requires, amongst other things, the Manager to disclose: (a) the manner in which sustainability risks are integrated into investment decisions; and (b) the results of the assessment of the likely impacts of sustainability risks on the returns of the Fund. Article 2 (22) of SFDR defines "sustainability risk" as an environmental, social or governance ("**ESG**") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

In managing the Fund's portfolio, the Manager takes into account sustainability risks and the potential impact of such risks on the Fund's returns. The Manager carries out such activities with the assistance of the Adviser, and through its delegate, the Trustee, that is responsible for portfolio management of the Fund. Responsible investment is an integral part of the Manager's investment processes and Octopus Investments seeks to integrate Responsible Investments considerations across all of its business activities and investment products. The Manager and the Adviser are members of Octopus Investments and apply the Octopus Responsible Investment Policy and the Octopus Healthcare Fund Responsible Investment Policy which are specifically designed for the Fund when managing or advising with respect to the Fund's assets. Dedicated resources within Octopus Investments advise on Responsible Investmentsactivities, such as the Octopus Real Estate Team of the Adviser and Octopus Investments Impact & Sustainability Team, support the Manager in conducting ESG risk assessment and monitoring processes. The Manager also engages external advisers to support it in the evaluation and monitoring of ESG risks.

The Manager (through the Trustee and the Adviser) undertakes a broad based evaluation of ESG risks in determining the likely success of a potential investment over the long term. The Manager 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.

As part of its investment process, the Manager seeks to: (i) identify and understand the relevant ESG risks related to a proposed investment, which are considered alongside other material risks; (ii) assess the scope for improvement of an investment's ESG credentials if an investment is to be made; and (iii) pursue active engagement on ESG considerations with key stakeholders once an investment has been made. As part of any investment process, ESG risks are discussed at the Octopus Real Estate Investment Committee (with respect to investment advice) and later at the Trustee's meetings for each proposed investment. ESG considerations form part of the preliminary and final investment advice and Trustee's investment decision.

ESG risks are considered during the initial due diligence in respect of an investment opportunity, including considerations of sector-specific and geography-specific ESG risks. The Octopus Real Estate Team uses the internal Project Assessment Schedule document to perform the review of the proposed investment. Any new investment must also be aligned with Octopus Investments's ethical principles (which covers breaches of applicable planning laws, human rights abuse, unsatisfactory clinical or working conditions, bribery and corruption). The Octopus Real Estate Team also completes a Pre-Contract Sustainability Review as part of the due diligence process. The assessment is undertaken by external sustainability consultants in conjunction with the Octopus Real Estate Team. The results of these assessments are used to inform the Sustainability Brief for the development, forming part of the contractual funding agreement. This information is also included in the Octopus Real Estate Investment Committee memorandum, which is considered by the Trustee (as delegate portfolio manager to the AIFM) prior to an investment being made.

The investment performance of the Fund will depend on a range of economic and financial factors as well as ESG risks and opportunities which are specific to each investment's profile. The costs and reputational effects of ESG-related incidents can negatively impact the turnover and profitability of investee companies. Further, investee companies which do not adequately address sustainability risks may be less well positioned to succeed in the face of ESG-related challenges.

ESG risks can affect all known types of risk (for example, market risk, liquidity risk, counterparty risk and operational risk), and as a factor, contribute to the materiality of these risk types. The assessment of ESG risks is complex and often requires subjective judgements, which may be based on data which is difficult to obtain, incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that the impact of ESG risks on the Fund's investments will be correctly assessed.

The integration of ESG risks into investment decisions may eliminate exposures found in other strategies or broad market benchmarks that may cause performance to diverge from the performance of these other strategies or market benchmarks. These effects may have an impact on the Fund's return.

The potential impact of these risks on returns of the Fund are mitigated by integrating the consideration of ESG risks into due diligence and decision-making process. By taking ESG risks into consideration during its investment decision making process, the intention of the Manager is to manage such ESG risks in a way that they do not have a material impact on the performance of the Fund. However, no assurance can be given that the Manager will be able to avoid and/or mitigate the impact of ESG risks on the Fund and losses may be incurred. Please also refer to Section 12 ("Risk Factors") of the PPM for further ESG risks.

The Manager takes into account ESG risks and other ESG factors as part of the investment process for the Fund and has developed a programme of sustainability and energy efficiency audits, including BREEAM In Use certification for the purpose of monitoring the Fund's performance.

The Fund has sustainable investment as its objective. Article 9 of the SFDR requires the Manager to make additional disclosures. These are set below.

The pre-contractual disclosures below have been prepared in line with the regulatory technical standards (the "**RTS**") laid down in Delegated Regulation (EU) 2022/1288 as amended by the Commission Regulation (EU) 2022/2046, on the basis that such amended regulatory technical standards proceed to publication in the Official Journal of the European Union and thus enter into force.

March 2023

Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: Octopus Healthcare Fund **Legal entity identifier:** N/A

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Sustainable investment objective

Does this financial product have a sustainable investment objective?

☒ Yes	☐ No
☐ It will make a minimum of **sustainable investments with an environmental objective:** ___%	☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☒ It will make a minimum of **sustainable investments with a social objective:** 100%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

What is the sustainable investment objective of this financial product?

The Fund's objective is to create a diversified exposure to high quality, predominantly private-pay focussed, UK Elderly Care Home and Specialist Healthcare real estate that contribute to increasing access to quality care for the elderly (and others with long term conditions). The funding of new, best-in-class care homes provides essential infrastructure required to support elderly residents across the UK today and in the future.

Please refer to ***Section 4 – Environmental, Social and Corporate Governance ("ESG") and Impact*** of the PPM for further details.

- ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

The Manager (through the Octopus Real Estate Team) uses the following key performance indicators ("**KPIs**") to measure the attainment of the Fund's social investment objective:

- Number of quality care beds in the portfolio as % of all UK care beds (based on data provided by Carterwood);

- Number of new quality care beds funded by the Fund as % of all new care beds delivered in the UK in the relevant period (based on data provided by Carterwood); and

- Number of new quality care beds funded by the Fund as % of UK shortfall of quality care beds (based on data provided by Carterwood).

The Manager (through the Octopus Real Estate Team) also considers KPIs related to Care Quality and Real Estate Quality as part of the formal Impact Framework created by Octopus Investments.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

While the investment mandate is aligned with social outcomes associated with providing quality care beds to support an ageing population, the Fund also actively seeks to ensure that the investments in the portfolio do not cause significant harm to any environmental or social sustainability objectives.

For each of the following environmental objectives, appropriate care is taken to ensure that the overall impact of the Fund remains positive.

Climate change mitigation:

- OHF Green Book (which defines a set of sustainability (minimum and aspirational) standards to be implemented across the Fund's investment portfolio, informed by the Manager's RI policy and best practices for sustainable design and construction of healthcare buildings) is used to assess climate-related risks (physical and transition risks) within every investment).
- The Manager applies SASB (the Sustainability Accounting Standards Board) standards for 'Real Estate' to identify and mitigate financially material sustainability issues including factors caused by climate change.
- Request OHF TCFD document for further details of the steps taken to measure, manage and mitigate climate change related risks and any impact of the Fund on climate change.

Climate change adaption:

- Through the BREEAM In-Use assessment, all assets are assessed and rated for: Average Wind Speed, Climate Change Allowance, Flood Risk from Rivers and Seas, Flood Risk Mitigation Plan, Greenspace Factor, Ground Conditions Risk, Over Heating Risk, Resilience, Urban Heat Island Probability and Water Stress.

The sustainable use and protection of water and marine resources:

- Measuring the degree in which water consumption and demand is minimised within a property.
- Additional indicators of good performance included in the Green Book
    - Sites are located in areas of low risk from pluvial (surface water) flooding.
    - Sites located in a 'low' risk areas of water stress.
    - Energy and water consumption monitored during construction.
    - Incorporation of Sustainable Drainage Solutions to manage surface water and aim to achieve greenfield runoff rates.
    - Seeking to achieve a 25% reduction in water consumption in BREEAM for all forward funding.
    - Rainwater or grey water is used for irrigation, and if feasible, toilet flushing.

- Use of a system to detect major leak on water supply.

Pollution prevention and control:

- Measuring the degree in which activities and processes within a property produce minimal pollution to the environment.
- Reduction of light and nose pollution in accordance with BREEAM.
- Installing EV charging points to all new developments and existing homes.
- Transition to a circular economy
- Waste - Recognising the implementation of policies and systems to reduce waste production, and improve levels of segregation and recycling through a dedicated waste recycling storage area.

The protection and restoration of biodiversity and ecosystems:

- Measuring the degree in which activities undertaken on the property site result in minimal impacts to the local environment.
- Inclusion when required of swift boxes, hedgehog houses, insect log piles and native tree planting ensure that sites achieve biodiversity net gain.

How have the indicators for adverse impacts on sustainability factors been taken into account?

The Fund actively seeks to ensure that none of the investments in the portfolio materially harm any environmental or social objectives and that the investee companies follow good governance practices.

The Manager (through the Octopus Real Estate Team and other service providers) undertakes an annual GRESB certification for the Fund's assets and receives the Care Quality Commission reports and rating together with the in-house Clinical Assurance Team's assessment and oversight strategies to provide clinical quality assurance.

The Fund's focus on sustainability is more aligned to social objectives rather than environmental objectives. The Fund nevertheless considers the following indicators for adverse impacts on sustainability factors as applicable in the context of its investments:

- Climate and other environmental-related indicators: greenhouse gas emissions (GHG emissions, carbon footprint, GHG intensity of investments, exposure to companies active in the fossil fuel sector, share of non-renewable energy consumption and production, energy consumption intensity per high impact climate sector); biodiversity; water (emissions and hazardous and radioactive waste ratios).

- Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters: social and employee matters (violations and processes to monitor compliance with UNGC principles or OECD Guidelines for Multinational Enterprises, unadjusted gender pay gap, board gender diversity, exposure to controversial weapons).

- Indicators applicable to investments in sovereigns and supranationals (note that these are not applicable to the Fund).

- Indicators applicable to investments in real estate assets: fossil fuels; energy efficiency; greenhouse gas emissions; energy consumption; waste; resource consumption; biodiversity.

- Indicators applicable to investments / persons involved in the investments (such as developers or care home operators) / investee companies.

In terms of Greenhouse Gas (GHG) emissions, the Fund measures, monitors and reports on the Scope 3 emissions and at present does not monitor Scope 1 and 2. The data is collected from the properties using Measurabl and is reported annually within the GRESB submission as emissions per tonne. Measurabl is also used to collect water and waste consumption and production of renewable energy onsite. Overall, the Fund's carbon emission reduction targets are aligned with the Science Based Targets by 2030 compared with the 2020 baseline, and a net zero position by 2040 on all assets. All new constructions to have embodied carbon assessment completed using One Click LCA and as part of our ambition that all new developments are net zero by 2030. Within the asset acquisition process consideration of the impact on areas of high biodiversity and ecological value is considered.

The Fund undertakes an annual review of these indicators, which will be included in the annual report and/or Fund's business plan.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

The care and real estate sectors (like every other sector) could be subject to human rights abuse that needs to be mitigated and the Manager ensures appropriate due diligence is performed, and that human rights, equality and anti-bribery and corruption policies are in place for service providers alongside the Manager's own policies. This ensures that investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. The Manager has primarily achieved this by only working with suppliers who align to a Sustainable Procurement Policy.

Please refer to the Modern Slavery Statement: https://octopus-realestate.com/modern-slavery-act/.

To the extent the Fund operates or engages a third party to operate the care homes and healthcare facilities, this is considered as part of its due diligence into investments and ongoing engagement with operators.

Does this financial product consider principal adverse impacts on sustainability factors?

X	Yes
	No

What investment strategy does this financial product follow?

The Fund focusses on two components of the UK property healthcare market:

1. Elderly Care Homes – specialist care properties for the elderly, including care homes, nursing homes and homes for dementia patients; and

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Good governance practices include sound management structures, employee relations, remuneration of staff ad tax compliance.

2. Specialist Healthcare – a range of specialist property healthcare sectors, which may include but will not be limited to specialist care, rehabilitation centres and accommodation relating to learning disabilities, mental health and acquired brain injury.

The Octopus Real Estate Team prepares quarterly reports on the KPIs set out in the Impact Framework, and delivers an annual, externally-assured Impact Alignment Statement under the Impact Principles. Through a programme of sustainability and energy efficiency audits, including BREEAM In Use certification, the Octopus Real Estate Team monitors how the Fund is managed in line with ESG Principles and engages monitoring surveyors during build stage.

The Manager has implemented a tenant engagement programme with the objective to work closely on improving the ESG related performance of the investments.

- ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The Octopus Real Estate Team and the Octopus Investments Impact & Sustainability Team have developed a formal Impact Framework for the Fund that: (a) defines the social impact associated with the Fund's investments by reference to the IRIS+ metrics; (b) embeds impact management within the investment management process; (c) is aligned with the IFC's Operating Principles for Impact Management ("**Impact Principles**"); and (d) demonstrates how the delivery of social impact from the Fund's investments aligns fully with the investment objectives.

As part of the investment decision process, the Manager (through the Adviser and the Trustee) aims to ensure that all investments meet the minimum standards for design, construction and environmental performance. All investments must be used as Elderly Care Homes or Specialist Healthcare properties and each investment must have B or higher EPC rating.

In addition, the Octopus Real Estate Team's representative typically visits the property and meets with the operator and provides: a review of the management and procedures around delivering care at the property; a review of the suitability of the building's design to deliver quality care effectively and efficiently; and an assessment of risk and governance within the operating entity.

Following investment, the Manager (through the Octopus Real Estate Team or other service provider) requests investee entities to sign an undertaking confirming that their business will be carried out in a manner consistent with the Fund's Responsible Investment Principles set out in the Octopus Healthcare Fund Responsible Investment Policy and assist investee entities in developing action plans to address any areas of non-compliance.

- ***What is the policy to assess good governance practices of the investee companies?***

The Pre-Contract Sustainability Review incorporates a corporate governance assessment tool. As part of the pre-investment due diligence process, the Octopus Real Estate Team will assess whether an investment and, where relevant, a care home operator, follows good governance practices. Every investment and person involved in an investment (such as a developer or care home operator) is assessed against key criteria on good governance, including country specific governance risk, anti-money laundering, bribery and corruption and governance related reputational risk.

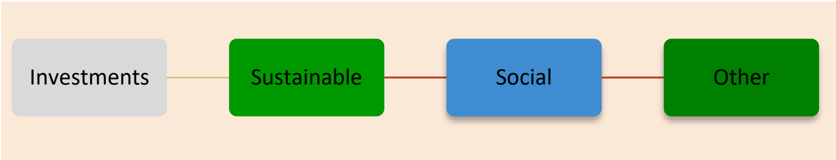
What is the asset allocation and the minimum share of sustainable investments?

Asset allocation describes the share of investments in specific assets.

100% as all investments are expected to be sustainable investments and made in accordance with the investment restrictions set out in the Fund Instrument. In particular, it is anticipated that:

- At least 75% of the Fund's GAV (measured at the time that the Fund contractually commits to acquire an investment based on the last available GAV calculation on the last GAV Calculation Date) will be invested in Elderly Care Homes; and

- No more than 25% of the Fund's GAV will be invested in Specialist Healthcare.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The EU Taxonomy Regulation (2020/852) ("**Taxonomy Regulation**"), in summary, is a detailed law setting out technical criteria for which types of economic activity can be regarded as environmentally sustainable and mandates disclosure of whether the investments underlying this financial product take into account specific EU criteria for environmentally sustainable economic activities. All investment decisions made in respect of the Fund will be taken in accordance with the investment policy and investment objectives, as described above.

Whilst the Fund has the sustainable investment objective and will make sustainable investments (as defined under the SFDR), it does not commit to make investments which qualify as environmentally sustainable under Article 3 of the Taxonomy Regulation. Therefore, the Fund does not have as an objective reaching a minimum share of sustainable investments with an environmental objective aligned with the EU Taxonomy or to have a specific proportion of investments in enabling and transitional activities.

Even where an investment is eligible for consideration under the Taxonomy Regulation, scalable and systematic data on portfolio investments is required to accurately report on Taxonomy Regulation alignment, which will not always be available. This is particularly the case where such investments are not themselves required to report on Taxonomy Regulation alignment. Furthermore, some of the technical screening criteria that are required in order to assess whether an investment is environmentally sustainable under the Taxonomy Regulation have not yet entered into force. Therefore, confirming alignment may not be immediately possible and so approaches may need to develop and evolve over time. There remains uncertainty as to how the Taxonomy Regulation should be applied in practice, and more so in respect of social objectives. We understand that a social-focussed taxonomy regulation may be introduced in the future, but the timing and details are unclear at present.

Does this financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?

	Yes	☐ In fossil gas	☐ In nuclear energy
X	No		

What is the minimum share of sustainable investments with a social objective?

All investments are expected to align.

What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?

Not applicable as all investments are expected to be sustainable.

Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

None.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable

Where can I find more product specific information online?

More product-specific information can be found on the website: Policy Documents https://octopus-realestate.com/resources/ Please also refer to Section 7 ("Investment Strategy") of the PPM.