

# Octopus Healthcare Fund Impact Framework

April 2023

## OHF Impact Framework

Octopus Healthcare Fund (“OHF” or the “Fund”) provides quality care beds to address the UK’s growing care bed deficit. The Investment Manager (the Manager) strives to create exceptional facilities you’d choose for your loved ones, investing in best-in-class care homes that can catalyse positive change and impact communities.

The Manager aims to create high-quality Care Homes and Specialist Healthcare real estate that contributes to increasing access to quality care for the elderly (and others with long-term conditions). Funding new, best-in-class care homes provide the essential infrastructure required to support elderly residents across the UK today and in the future.

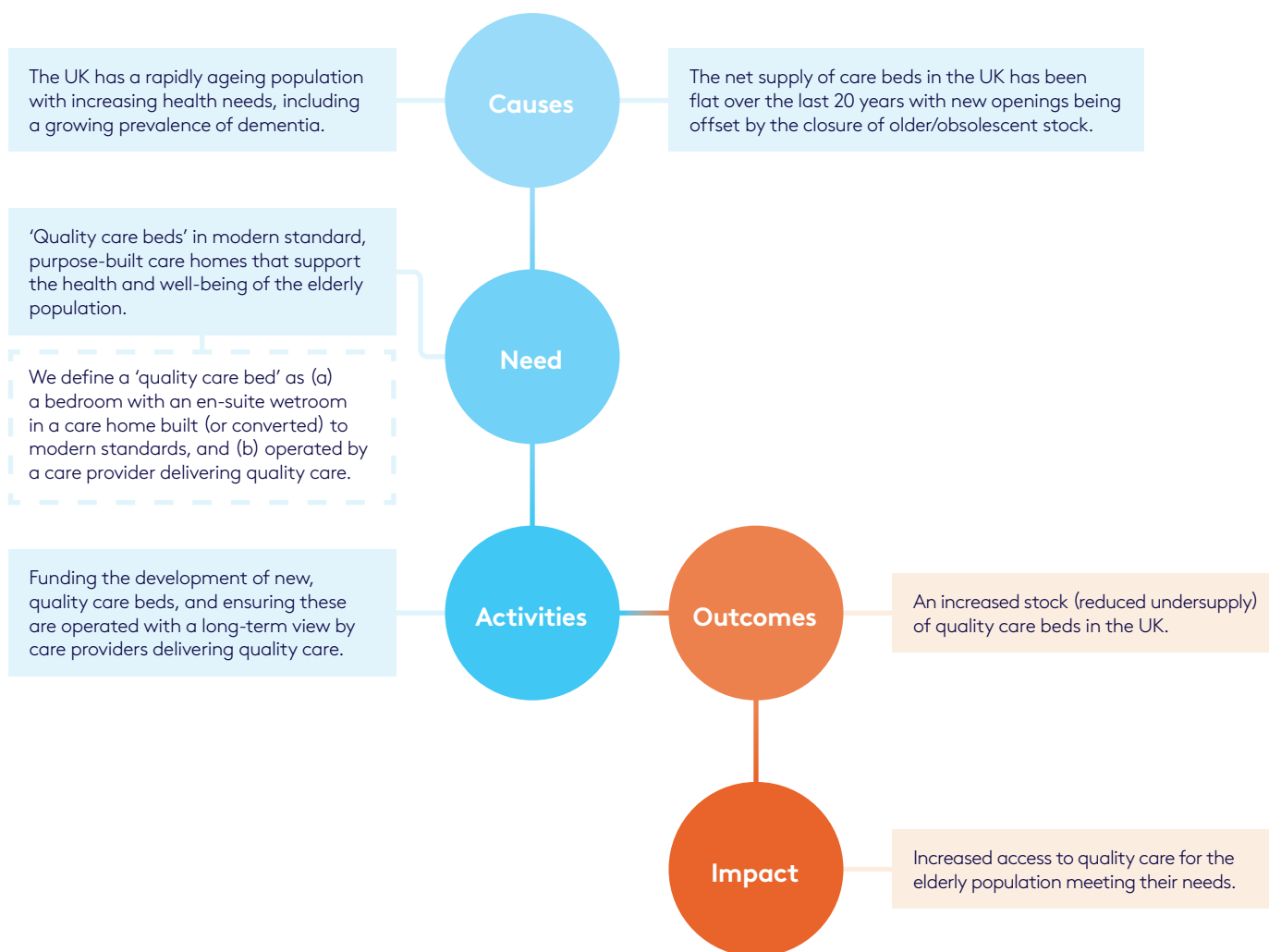
This document supports the OHF Responsible Investment Policy and focuses on outlining how the Manager measures and manages the impact of the Fund’s investments on society and the environment.

## Our ‘Impact Framework’

Our Impact Framework is comprised of four elements that ensure impact is both intentional, additional and measurable:

### 1 Theory of change

A theory of change explains how a given intervention is expected to lead to the desired social or environmental impact. At inception, our impact funds must set out a theory of change that demonstrates the purpose of the investment product and how it will achieve its desired outcomes.



## 2 '5 dimensions of impact'

Teams managing impact funds/products must embed the '5 dimensions of impact' (as defined by the Impact Management Project) within their investment process:

Dimension of Impact	Application to OHF	Measurement (inc. IRIS+ metrics)
1. <b>WHAT</b> 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><b>UN Sustainable Development Goals:</b></p> <ul style="list-style-type: none"> <li>● Goal 3 - Ensure healthy lives and promote well-being for all at all ages               <ul style="list-style-type: none"> <li>● Target 3.8 - Achieve access to quality healthcare services</li> </ul> </li> <li>● Goal 7 - Affordable and Clean Energy: Ensure access to affordable, reliable, sustainable and modern energy for all; and</li> <li>● Goal 11 - Sustainable Cities and Communities: Make cities and human settlements inclusive, safe, resilient and sustainable; and</li> <li>● Goal 13 - Responsible Consumption and Production: Take urgent action to combat climate change and its impacts; and</li> <li>● Goal 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.</li> </ul>
2. <b>WHO</b> is affected?	<ul style="list-style-type: none"> <li>● Which stakeholders benefit from OHF's activities?</li> <li>● What is the demographic of these stakeholders?</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Target Stakeholders:</b> Patients/Residents</li> <li>● <b>Target Stakeholder Demographic:</b> Elderly/Older Adults</li> </ul>
3. <b>HOW MUCH</b> change is happening?	<p>How many care homes are owned by OHF?</p> <p>How many care beds are provided in these care homes?</p> <p>How does the Fund ensure they are "quality care beds"? (This is also relevant to RISK below.)</p>	<ul style="list-style-type: none"> <li>● Total number of healthcare facilities managed</li> <li>● Total number of residents supported</li> </ul> <p><b>Quality assurance mechanisms:</b></p> <ul style="list-style-type: none"> <li>● Peer review/supervision</li> <li>● Communication and education strategies</li> <li>● Audit and feedback</li> </ul> <p><b>Real estate quality assurance:</b> (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.</p> <p><b>Clinical quality assurance:</b> (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.</p>
4. What is the <b>CONTRIBUTION</b> ?	How does OHF reduce the deficit of care beds in the UK, and help maintain the current stock?	<ul style="list-style-type: none"> <li>● <b>New Care Beds:</b> 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.</li> <li>● <b>Total Care Beds:</b> 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.</li> </ul>
5. What is the Impact <b>RISK</b> ?	<b>Key Risk:</b> 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.

### **3 Measurement**

The Investment Teams must use IRIS (Impact Reporting and Investment Standards) metrics to ensure that the impact of any impact investment is measurable.

### **4 Verification**

This impact framework, and its implementation, is verified by external auditors against the Impact Principles (Operating Principles for Impact Management) to which Octopus Investments is a signatory.

Each of the four parts of this framework is embedded within the Fund's investment process: Impact data is collated and calculated quarterly by the Impact and Sustainability Associate, reviewed and approved by a member of the Investment Team and presented to investors in the Investor Quarterly Reports.

### **A force for good**

We don't believe that there's a trade-off between 'doing good' and 'making money'. We believe that in the future, the most successful companies will be a force for good. We're fast approaching a once-in-a-generation shift of capital away from companies which harm society and the environment, and into mission-driven companies solving the world's biggest problems. This framework will ultimately help bring us closer to achieving better financial, social and environmental outcomes for our investors.



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