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# Responsible Investment and Impact Report

May 2023



**octopus** real estate  
A brighter way

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## OHF has aligned its principles with the United Nations Sustainable Development Goals, in particular goals 3, 7, 11, 13 and 15.



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## About this report

This Responsible Investment and Impact report includes the actions that have been taken by Octopus Investments regarding Octopus Healthcare Fund ("OHF or the Fund").

Unless otherwise stated, all data in this report is based on the Fund's Investor Report for the year to 31 December 2022. The reporting extends to the real estate assets the Fund owns and where the tenants have provided operational data. This includes electricity, gas, water and waste data.

This report has been prepared in accordance with INREV Sustainability Reporting Guidelines, of which Octopus Investments is a member and aligns with best practices, including the Taskforce for Climate-Related Disclosures (TCFD) recommendations. The report and data included has been independently verified by Envision.

## About Octopus Healthcare Fund

OHF is one of the largest unlisted healthcare real estate funds in the UK, managing **£1.36bn** assets comprising of **79** trading care homes, **5,742** beds and **17** homes under construction.<sup>1</sup> The Fund works with 30 operators throughout the UK.

## Verification statement

Envision has carried out an independent verification<sup>2</sup> of this Octopus Healthcare Fund: Responsible Investment and Impact Report, to provide the audience with assurance of the validity and accuracy of statements made within this report, in line with INREV Sustainability Reporting Guidelines<sup>3</sup>, and verification of the GHG emissions reported, in accordance with ISO 14064-3.<sup>4</sup>

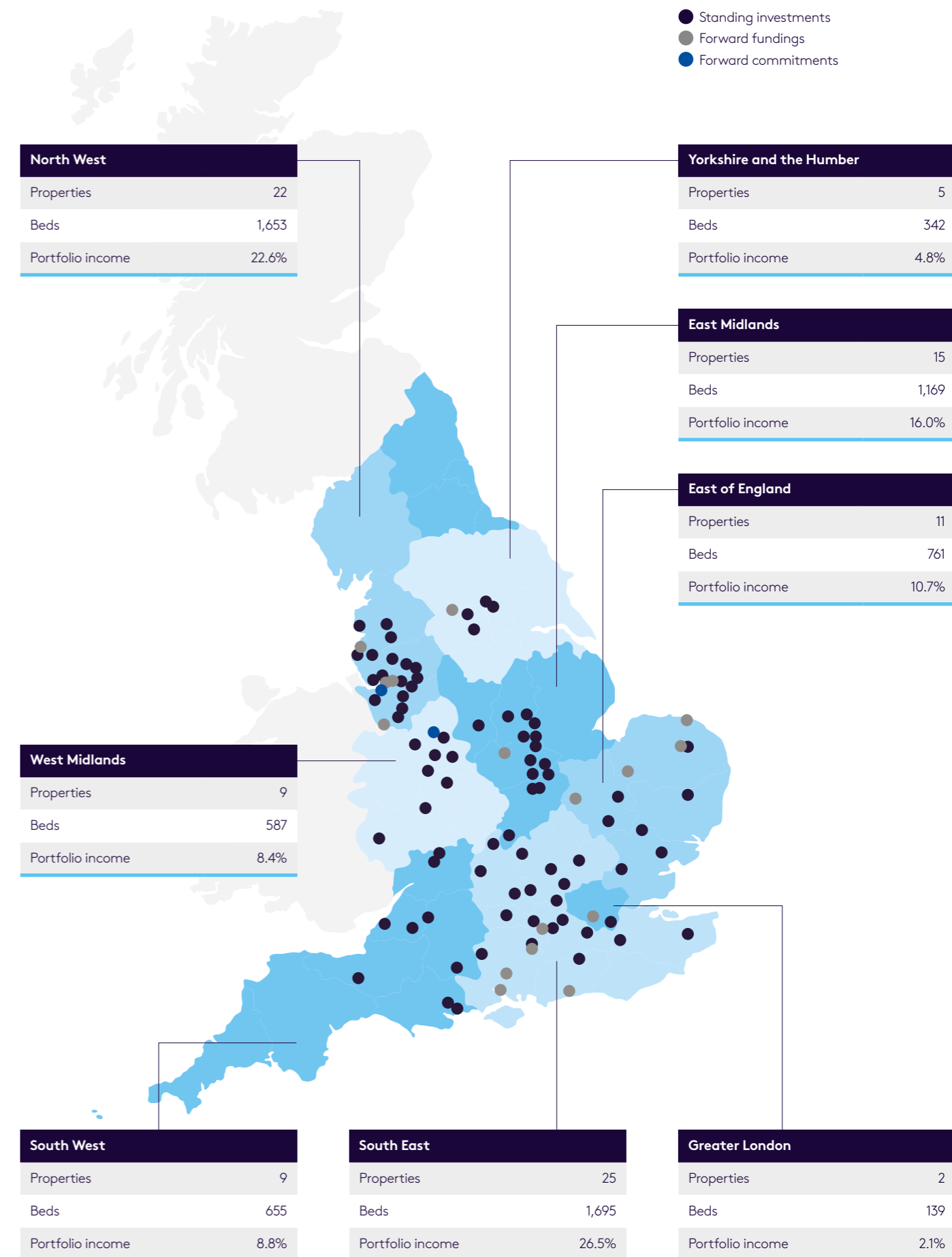
Based on a detailed review of sources of the data and information presented in this report, Envision confirms this provides a true and honest account of activities undertaken during the reporting period (year to 31 December 2022) and the ESG performance data is materially correct and a fair representation, prepared in accordance with ISO 14064-1<sup>5</sup>.

**Simon Rainsford**  
Director, Envision  
Sustainability Ltd  
May 2023



<sup>1</sup>17 homes forward funded and 2 homes forward committed. <sup>2</sup>KPMG completed a separate verification of the Impact Report ([www.octopus-realestate.com/operatingprinciples/](http://www.octopus-realestate.com/operatingprinciples/)). <sup>3</sup>INREV Sustainability Reporting Guidelines, January 2023. <sup>4</sup>BS EN ISO 14064-3:2019 Greenhouse Gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions. <sup>5</sup>BS EN ISO 14064-1:2018 Greenhouse Gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals.

## OHF Real Estate Portfolio





## Our approach

We follow a three-step approach to responsible investment which is aligned with [Octopus Investment's Responsible Investment Policy](#). The framework considers the following:

### 1. Mission: Impact objective

Our mission is to create exceptional care facilities, investing in best-in-class care homes that you'd choose for your loved ones and that can catalyse positive change and impact communities. Our care homes combine the highest quality care, support, well-being, and safety standards.

### 2. Materiality: sustainability issues impacting Fund performance

We consider sustainability issues that could affect the performance of the Fund. Using guidance from the Sustainability Accounting Standards Board (SASB) for the 'Real Estate' sector. Please refer to [OHF's Responsible Investment Policy](#) for details on how the team has identified the sustainability issues and considered their materiality and how they can be mitigated.

### 3. Responsibility: support offered to operators

We are committed to operating in a manner to minimise any adverse impacts of the Fund's activities. The Fund is committed to funding the construction of a Net Zero Carbon home (following the UK Green Building Council – Net Zero Carbon Buildings – A Framework Definition (April 2019)), and by 2030, all newly developed assets will be net zero, and all existing assets will be net zero by 2040.<sup>1</sup>

We have developed an Engagement Tool which is sent to operators to help understand whether they consider the broader stakeholders (employees, communities, customers, shareholders and the environment). The tool provides guidance to help tenants operate more responsible and efficient homes.

We are committed to ensuring that the homes in our portfolio meet our Environmental, Social and Governance (ESG) and sustainability goals as shown through our signatory status with B Corp, Operating Principles of Impact Management and as a signatory of the UN Principles of Responsible Investment (UN PRI).

Our Responsible Investment Policy is available on the Octopus Real Estate (ORE) website and ensures that we comply with current ESG-related legislation and demonstrates our continuous improvement to performance.



<sup>1</sup>Following the UK Green Building Council – Net Zero Carbon Buildings – A Framework Definition (April 2019).

## Our progress

### Impact

From 1 January 2021, Octopus Investments Ltd (the Fund's Investment Adviser) became a signatory of the International Finance Corporation's Operating Principles for Impact Management (the Impact Principles), with the Fund committing to operate as a mainstream Impact fund in line with the Impact Framework.

The Manager monitors a set of core KPIs to track its performance follows:

KPI Description	KPI Calculation (Data Sources)	Data Source
Number of quality care beds in OHF portfolio as % of all UK care beds	No. of quality care beds in OHF portfolio No. of UK care beds	Carterwood
Number of new quality care beds funded by OHF as % of all new care beds delivered in UK in period	No. of new quality care beds funded by OHF in period No. of UK new care beds delivered in period	Carterwood
Number of new quality care beds funded by OHF as % of UK shortfall of quality care beds	No. of new quality care beds funded by OHF in period Shortfall in UK care beds with en-suite wetrooms	Carterwood
Care Quality	Care Quality Commission ('CQC') Ratings; Octopus Clinical Assurance Team 'Watch List'	CQC Octopus
Real Estate Quality	See ESG KPIs	

Octopus Investments published their first annual disclosure statement on 31 January 2022 in line with the Impact Principles requirements. During 2022, the Fund contributed 6.31% (342 beds) of all new quality care beds delivered in the UK.

The Manager published its first externally assured Impact Alignment Statement on 31 January 2022, covering the 2021 calendar year. The statement has been externally assured by KPMG, and is reassured every 3 years.





KPI Description	KPI Calculation <sup>1</sup>	Q1	Q2	Q3	Q4	2022
Number of quality care beds in OHF portfolio as % of all UK care beds	No. of quality care beds in OHF portfolio No. of UK care beds	$\frac{5,069^2}{443,780}$ 1.14%	$\frac{5,384^2}{443,806}$ 1.21%	$\frac{5,683}{442,828^3}$ 1.28%	$\frac{5,742}{442,387^3}$ 1.30%	$\frac{5,742}{443,200^3}$ 1.30%
Number of new quality care beds funded by OHF as % of all new care beds delivered in UK in the period	No. of new quality care beds funded by OHF in the period No. of UK new care beds delivered in period	$\frac{0}{627}$ 0.00%	$\frac{140}{1,697}$ 8.25%	$\frac{143}{326}$ 43.87%	$\frac{59}{2,152}$ 2.74%	$\frac{342}{5,423^4}$ 6.31%
Number of new quality care beds funded by OHF as % of UK shortfall of quality care beds	No. of new quality care beds funded by OHF in period Shortfall in UK care beds with en-suite wetrooms	$\frac{0}{267,832}$ 0.00%	$\frac{140}{245,794}$ 0.06%	$\frac{143}{244,568}$ 0.06%	$\frac{59}{241,717}$ 0.02%	$\frac{342}{249,978}$ 0.14%

#### Definitions:

“Quality care beds” is defined as:

**Quality Care:** those homes that are not rated “Inadequate” by the CQC and do not feature as high risk on the Octopus Clinical Assurance Team “Watch List”.

**Real Estate:** Assets which meet the following criteria: (a) a bedroom with an en-suite wetroom in a care home built (or converted) to modern standards and (b) operated by a care provider delivering quality care.

**Please note:** an asset is included in the calculation at the point in time that it reaches Practical Completion, or at the point of acquisition for standing investments.



<sup>1</sup> UK data supplied by Carterwood. OHF data includes Specialist Healthcare beds. <sup>2</sup> Excludes Preston (L&M) due to the home’s previous “Inadequate” CQC Rating and inclusion on the Clinical Assurance Team’s “Watch List”. <sup>3</sup> Carterwood have changed their methodology to exclude Northern Ireland, the Isle of Man and Channel Islands. This has resulted in a minor decrease in both demand and supply. <sup>4</sup> The quarterly Carterwood data may differ from the cumulative figures provided throughout the year due to an ongoing quarterly delay in new home registrations.

## Clinical Assurance

The Clinical Assurance team are key to delivering quality beds and have summarised what Impact means to them.

### I Independent Review

OHF is a healthcare investment strategy with a mission to prioritise quality care for all operators working with us. Our journey begins with a thorough clinical due diligence review before an operator becomes a tenant of the Fund. We strive to build a portfolio of care homes that share our care ethos.

The Clinical Assurance team independently reviews proposed and existing care homes in the portfolio. We conduct 2-4 visits/points of contact per year to maximise oversight. Additionally, a 360° review of clinical and corporate aspects is completed at least once a year, involving responsible individuals from the operator. As nurses, our team provide independent practical support, advice, and guidance. The goal is to ensure that the residents, our main stakeholders, receive a high standard of care.

### M Measure Risk

Working in the care sector comes with inherent risks. The team understands that things may not always go well, but what matters is how those risks are managed. We utilise various metrics to monitor risk and enable early intervention to support care groups. The Fund offers independent

third-party inspections of homes, allowing for a comprehensive review of services. By measuring specific metrics, we create opportunities for cross-sector learning through theme-specific steering groups with peers in the sector. For example, we supported the RCNi in improving the educational delivery of Health and Social care through steering group feedback and development.

As our operation expands, so does our ability to support partners and provide valuable insights. We are conducting a clinical benchmarking study, which will offer anonymised data comparing operators within the Fund portfolio across various data points. This study will provide unique insights into market and operator trends, driving best practices.

### P Personalised Relationships

We value our relationships with operators and their teams working in the care homes, and support them in any way we can. Giving back is essential to enhancing day-to-day care. One way we achieve this is through ongoing education, which is crucial for delivering high standards of care. The Fund supports free independent educational days for different groups of operators to enhance their skills. Our team also assists with additional training within care home settings, covering topics such as end-of-life care, emotional resilience, communication, career progression, regulatory updates, pressure area care, and dementia training.





**A Architecture**

All our care homes are purpose-built and fit for the future. From the beginning, our team collaborates with architects to review plans and ensure the best outcome for residents. Moreover, all our homes have 100% wet room provision, allowing residents to maintain their independence and privacy.

During a recent Care Home Design & Environment Think Tank event organised by the clinical assurance team, experts from various sectors came together to discuss the future of design and how to improve care home environments for better care delivery. Developers, architects, sustainability consultants, interior designers, and operators all contributed to the discussions.

**C Caring and Community**

We regularly witness examples of excellent person-centred care and the ways in which the care homes are making a huge impact to their residents and the wider community. During the winter in 2022, there were growing concerns over cost of living and the rising price of energy bills. A number of operators opened their doors to provide a warm space and a cup of tea/coffee to the local community. ‘Warm up Wednesdays’ made a huge difference to local residents in Swadlincote who have continued to meet and have created a ‘de facto’ social club easing loneliness and making the care home a centre for the community.

Another operator offers ‘blue light breakfasts’ to local police, fire service, ambulance, district nurses and GPs. The crews from these emergency services can pop in at the beginning or end of shift for a bacon sandwich and cup of tea. This helps foster relationships with the local community services and ensures care homes become a hub of community life.

**T Team, why are we here?**

Octopus supports our qualified nurses to deliver high-quality care to one of the most vulnerable groups within the community. We are dedicated to ensuring the happiness and well-being of everyone living in a Fund home.

**Targets**

In January 2021, the Fund committed to a series of short, medium and long-term ESG targets that are material to the operation of the Fund. The targets are intended to focus actions and ensure continuous progression.

The targets are reviewed quarterly to ensure they are fit for purpose and address materially relevant aspects of the Fund’s activities, with quarterly progress reported in the Investor Report. The latest review was completed in December 2022. The targets were refined to reflect progress made, as well as developing the Net Zero Carbon and embodied carbon targets to incorporate the impact of the public commitments on Net Zero Carbon published in 2021. Additionally, a new target of attaining a BREEAM New Construction rating for pre-planning assets was introduced.

A complete list of targets is detailed in Appendix 1, with the progress to date of these targets detailed below.

**Green Building Certifications**

**BREEAM<sup>1</sup>**

The Fund has targeted the certification of all assets in the portfolio against BREEAM In-Use. This programme of assessment has already been rolled out across the existing portfolio, of which we’ve been working with our BREEAM Assessors over the past year to recertify those reaching the end of their cycle, upgrading them from the previous Version 2015 to the current V6 scheme.

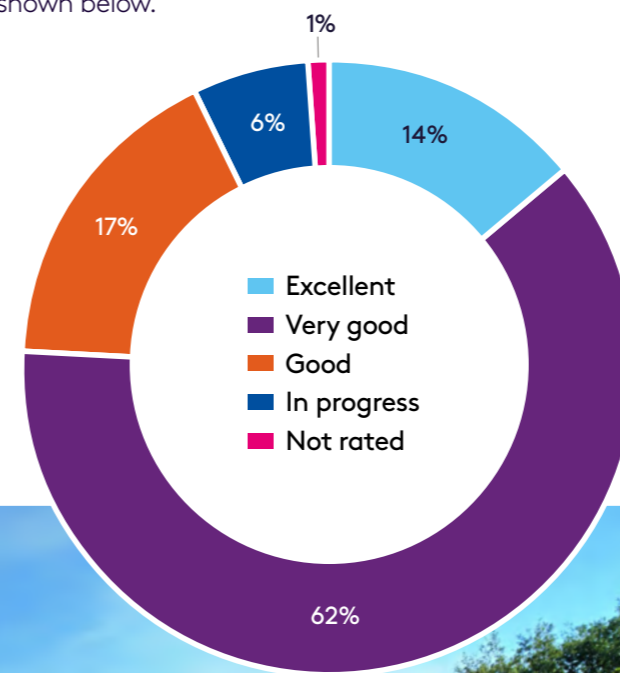


We’re also undertaking BREEAM In-Use assessments on all new assets entering the portfolio. This assessment collates critical information on the efficiency and sustainability of the assets, which is subsequently used on a portfolio scale to benchmark and identify priority assets through the Heat Map (see Climate Resilience).

By December 2023, it is targeted that 75% of assets will be rated as BREEAM In-Use ‘Very Good’ or better and 10% to have achieved a rating of BREEAM ‘Excellent’, which we are on track to achieve (see detail in Appendix 1).

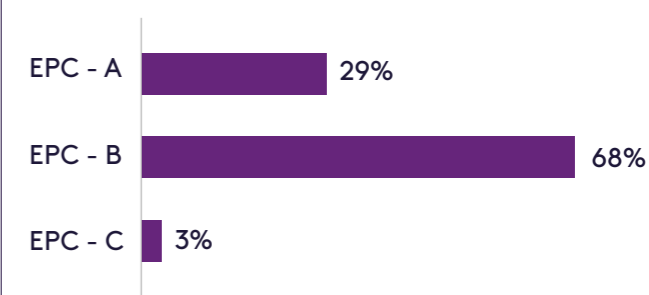
Furthermore, the Fund has introduced a new target as of January 2023; 75% of all acquisitions pre-planning are to target a BREEAM New Construction rating.

The current BREEAM In-Use ratings for the Portfolio are shown below.



**EPC<sup>1</sup>**

The Fund’s three-year EPC rating target is 97.5% of assets to be B Rated (or higher) and 25% to be A Rated, with all new assets requiring an EPC rating of B or higher (both from 1 January 2021). The current EPC ratings of the portfolio are shown below.



The Fund is 100% compliant with the Minimum Energy Efficiency Standard (MEES), which came into force in 2018 and is on track to comply with the more stringent requirements due to be introduced in 2030.

**Green lease clauses<sup>2</sup>**

All new assets entering the Fund include green lease clauses, and by the end of 2023 the Fund is working towards the target of including such clauses in 95% of all leases. As of December 2022, 32% of assets in the Fund have green lease clauses.

**Tenant Engagement**

We have continued to work with operators to reduce energy consumption and improve the Fund’s ESG performance. In partnership with Octopus Energy, we hosted a webinar to discuss and explore possible renewable solutions, including green tariffs and on-site solar panel installation. We are discussing three different funding options to transition to on-site solar.

- Capex – operator funds panels themselves.
- Rentalising – operator borrows the money and with the savings covering the repayment costs.
- Funding – Power Purchase Agreement (PPA) with a provider who covers the installation and system management cost. The tenant agrees to purchase the energy at a subsidised rate.

In 2022, we updated our tenant ESG guide to reflect the critical issue of rising energy costs, providing guidance on key actions to reduce these, and in turn reduce carbon emissions. We will continue to engage with operators to discuss and promote energy efficiency schemes.

<sup>1</sup>Calculations based on number of assets.

<sup>1,2</sup>Calculations based on number of assets.

## Developer Engagement

The Green Book, the Fund’s framework for reviewing assets entering the Fund, is updated on an annual basis to incorporate the latest best practice design and construction standards. The team continue to work with developers to encourage the implementation of these sustainability design standards.

## Portfolio data

We’ve been improving our understanding of the assets’ operational energy use by increasing the granularity of the portfolio’s data coverage. Furthermore, we’ve continued to use Measurabl, which has made the

process of data collection from tenants easier through the varied means of data collecting, processing and analysis. The tool will also allow for improved reporting moving forward.

The graph below shows the Scope 3 data progression in greenhouse gas emissions (GHG), water and waste of those assets where data has been made available for 2019, 2020, 2021 and 2022. OHF’s Scope 1 and 2 emissions are captured within Octopus Investments carbon foot printing, for more details see [Net Zero Plan](#).

## Emmissions table

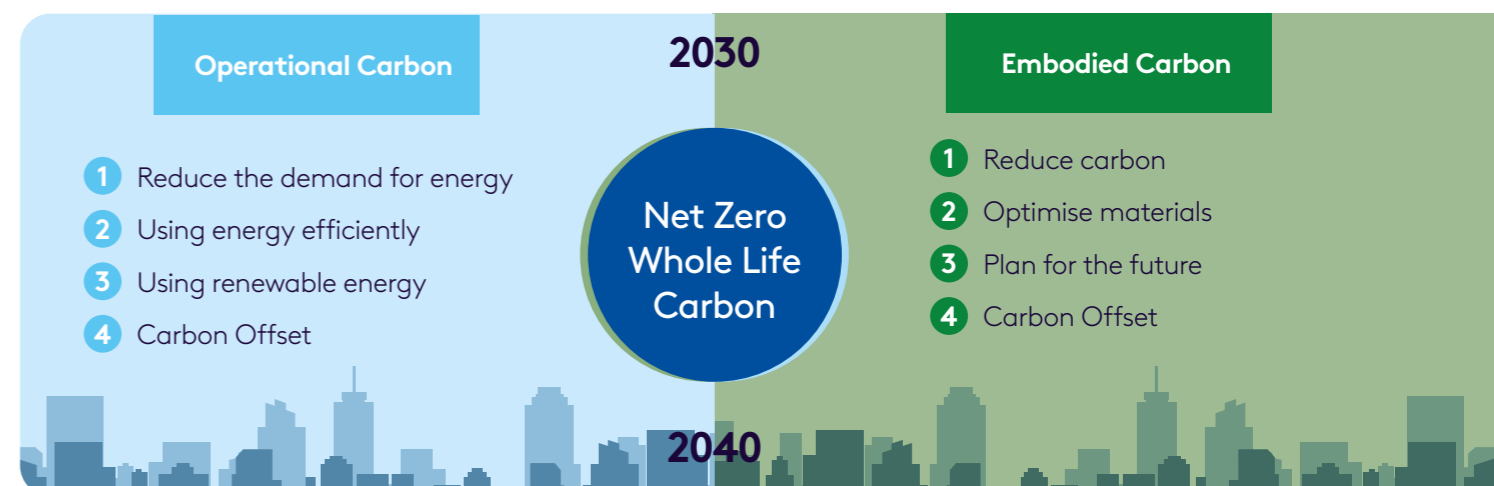
		Units				
		Kg CO2e	Kg CO2 / m2	Kg CO2 / filled bed	M3	Tonnes
		Carbon emissions	Average Emissions	Average Emissions	Water	Waste
2019	No of Assets	39	NA	NA	21	9
	Total Consumption	5,023,000	NA	NA	121,442	1,301
2020	No of Assets	48	NA	NA	31	24
	Total Consumption	6,029,000	NA	NA	121,190	986.9
2021	No of Assets	68 <sup>1</sup>	52 <sup>2</sup>	51 <sup>2</sup>	47	40
	Total Consumption	8,228,860	40.43	3,091.92	175,414	1,073.28
2022	No of Assets	78 <sup>1</sup>	67 <sup>2</sup>	66 <sup>2</sup>	51	49
	Total Consumption	9,221,660	34.94	2,975.78	210,155 <sup>3</sup>	1,476.78 <sup>3</sup>
% change 21 vs 22		12%	-14%	-4%	20% <sup>3</sup>	38% <sup>3</sup>

<sup>1</sup> From 2020, reporting changed to ensure consistency, and figures include total data of all operational assets. The 21 / 22 data is as at 30 June 2023, and figures may change in subsequent reports as further data is collected.

<sup>2</sup> Included are assets that were operational for a full 12 months and those with energy data for a full 12 months. Filled bed average is not including Preston, property is sub-leased to the local NHS Foundation Trust.

<sup>3</sup> Increased Water/Waste consumption levels reflective of more complete data provision by operators in 2022.

## Net Zero Carbon commitment



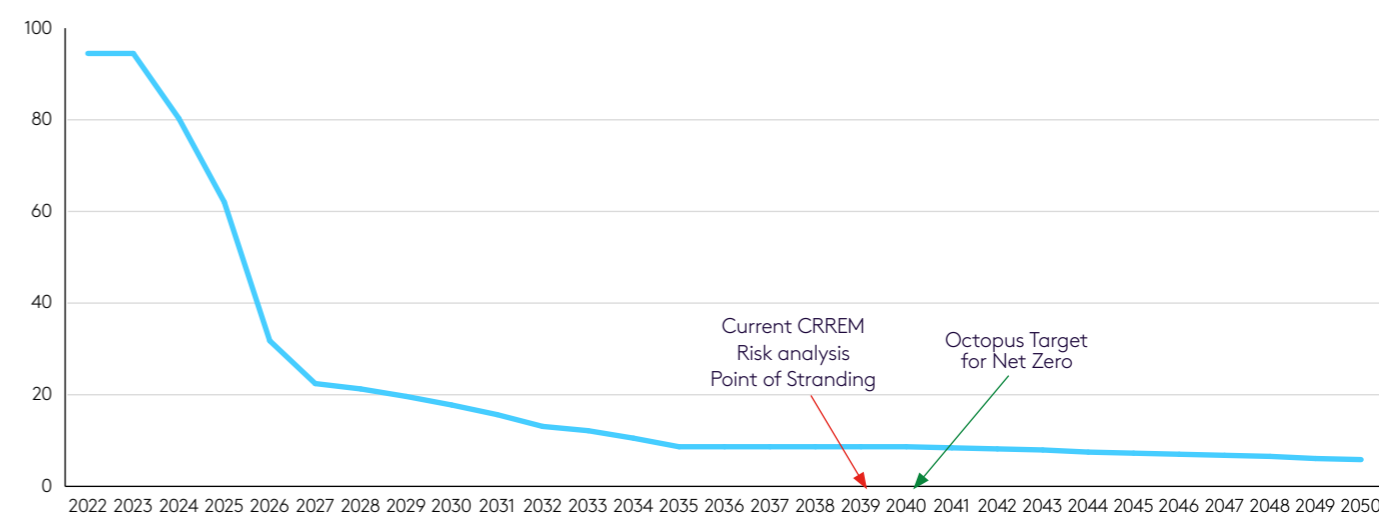
Further to the above Net Zero Carbon statement published in November 2021, we’re committed to carrying out embodied carbon assessments on all new constructions in line with the target of all newly developed assets being Net Zero Carbon by 2030. For all existing assets, the Manager is developing a costed retrofit programme for assets with a stranding risk within the next five years.<sup>1</sup>

Over the next year the Fund will complete a costed EPC Improvement and Decarbonisation Plan for the lowest-performing assets. To understand the improvements needed, a desktop survey and site visit will be undertaken for each asset, in order for modelling of the asset and scenario testing to be carried out. The plan

will provide clear actions for improvement and also include predicted energy and energy cost reduction, capital cost, and time to deliver.

In 2022 we completed the first digital twinning assessment. The evaluation made several recommendations, such as heat pump tumble dryers to replace gas-fired units, replacement of the gas boilers with an air source heat pump and installing solar panels with battery storage. By following these proposals, a predicted 93.8% reduction in carbon by 2040 could be achieved. It should be noted that the solar panel system offsets less carbon as the grid decarbonises, hence the home does not reach net zero through on-site reductions alone.

## Woodthorpe Lodge – Decarbonisation Tonnes CO2/Annum



<sup>1</sup>CRREM definition – “Stranded assets” are properties that will not meet future energy efficiency standards and market expectations and might be increasingly exposed to the risk of early economic obsolescence.



### Helsby – Net Zero Carbon Care Home

We've made further progress with the Net Zero care home development in Helsby. A benchmarking exercise compared the property's life-cycle carbon versus a traditional brick-and-block build home. As a result, the Fund has commissioned an assessment of the carbon impact of each material in the design and committed to using at least 70% recycled steel content and reclaimed bricks as part of the external structure. In addition, a flat roof structure will incorporate PV panels as part of the design.

The methods of delivering sustainable buildings are ever-evolving, and we'll continue to develop our understanding of providing the lowest possible carbon level in future projects.

#### Climate Resilience

We have created a Heat Map which identifies and assesses climate-related risks and opportunities in relation to each asset, both in terms of physical climate risk and transition risk. We are embarking on a program of asset-level analysis which combines actual metered energy data from each care home with key building attributes and physical factors observed through site surveys and assessments. This scenario analysis will help to understand how assets are resilient to future risks, and help the portfolio to transition

towards Net Zero and manage climate related risks in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD).

The Heat Map tracks these risks, using CRREM (Carbon Risk Real Estate Monitor) outputs for each asset based on a 1.5-degree global warming scenario. The analysis captures the stranding risk for each asset, considering a CO<sub>2</sub> and energy intensity pathway and utilises other data sets.

#### Case study: Tooting, Greater London

In early 2023, the team successfully finalised the construction of a 64-bed residence in Tooting. This project is a crucial component of the larger Springfield University Hospital redevelopment, which endeavours to create a dynamic urban community. The home has been seamlessly integrated into a district heating system that serves the entire site. Furthermore, it goes above and beyond standard building regulations, significantly enhancing energy efficiency. Notably, the home has achieved BREEAM New Construction Excellent and an impressive EPC A (16) rating, indicative of its exceptional energy efficiency. Additionally, there is a substantial number of EV charging points available and excellent connectivity to public transportation networks.



### Verification and Disclosures

All data generated is reviewed for consistency and coherence internally prior to reporting. External verification is completed by the Fund's retained environmental and sustainability consultants, Envision. KMPG separately verifies impact data.

#### Disclosure

The Fund reported its performance against several international ESG benchmarks in 2022, demonstrating that the Fund is competitive against its peers and other funds internationally.

In the 2022 GRESB Standing Investment submission, we increased our GRESB score by 9 points, from 77/100 to **86/100**. OHF remained in the 4th quintile with 4 stars, marginally outside the 5th quintile. Despite not achieving 5 stars, OHF retained its Green Star status, came **first in its Peer Group** (European Healthcare Senior Homes), outperforming the GRESB average of 74/100 and the peer group average of 69/100. The score was attained by achieving 57/70 of the available points in 'Performance' and 30/30 in 'Management'.

Octopus Investments is a signatory of the UN PRI, and within the latest results to which OHF contributed, the Real Estate module scored 4 out of 5.

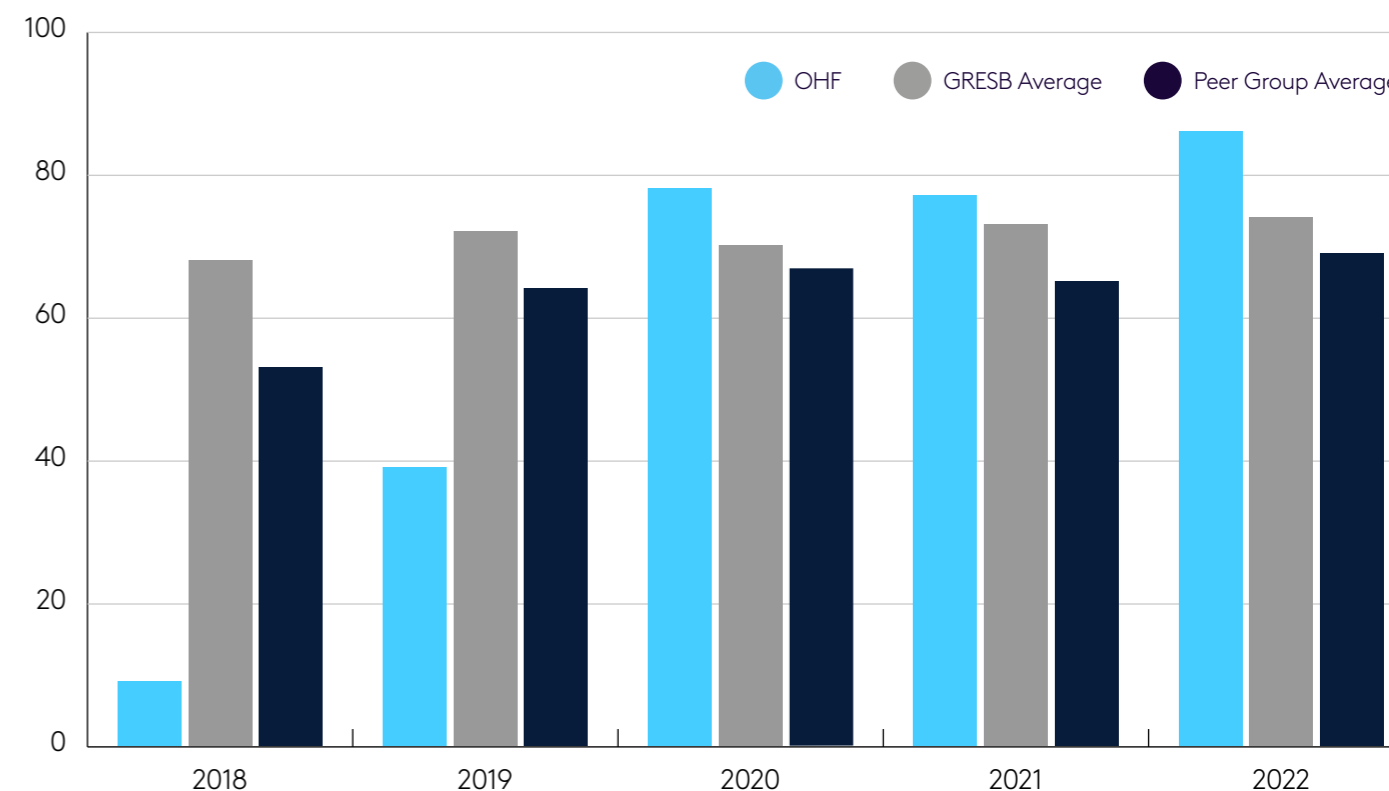
OHF is a supporter of the recommendations of the TCFD and is committed to increasing the resilience of our portfolio. Whilst OHF is not yet in scope to make mandatory TCFD-aligned disclosures, the Fund has started to make TCFD-aligned disclosures.

OHF welcomes the addition of future disclosures that support "anti-greenwashing" efforts, such as the UK's Sustainable Disclosure Requirements (SDR).

OHF has been classified as an Article 9 product under the EU Sustainable Finance Disclosure Regulation (SFDR). Whilst the Fund has a social sustainable investment objective and will make sustainable investments (as defined under the SFDR), it does not commit to making investments which qualify as environmentally sustainable under Article 3 of the Taxonomy Regulation. Therefore, the Fund does not have an objective to reach 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.

Octopus Investments has taken steps to make disclosures against each of its stakeholders. More information can be found in our [Future Generation Report](#) and [Gender Pay Gap Report](#).

OHF GRESB Average Score





## Appendix 1. Fund targets

Description	Targets				Status as at 31 December 2022
	Short (Within 1 year)	Medium (Within 3 years)	Long (Within 5 years)	Longer (Within 10 years)	
<b>Asset Performance</b>					
<b>Green Building Certifications</b>	Assets certified to an industry recognised scheme (BREEAM) with minimum and aspirational standards (e.g. BREEAM to a level of Very Good, with an aspiration to achieve Excellent)	100% of the portfolio benchmarked and certified (assets held for more than 3 months)	75% of the portfolio to obtain BREEAM Very Good (or better) 10% to achieve BREEAM Excellent From January 2023 75% all acquisitions pre planning to obtain BREEAM New Construction	90% of the portfolio to obtain BREEAM Very Good 25% to achieve BREEAM Excellent	73 assets certified to date. Of those assessed: <ul style="list-style-type: none"> <li>• 14% Excellent</li> <li>• 62% Very Good</li> <li>• 17% Good</li> <li>• 6% In progress</li> <li>• 1% Not rated</li> </ul>
	Assets to achieve the highest EPC ratings	All new assets coming into the Fund to be B Rated (or higher)	97.5% of assets to be B Rated (or higher) 25% of assets to be A Rated	100% of assets to be B rated (or higher) 40% of assets to be minimum of A rated	<ul style="list-style-type: none"> <li>• 29% A Rated</li> <li>• 68% B Rated</li> <li>• 3% C Rated</li> </ul>
<b>Fund Performance</b>					
<b>New Acquisitions &amp; Green Leases</b>	Continue to develop robust methods to appraise our investments, with green lease clauses included in lease agreements	All new leases to contain green lease clauses	95% of all portfolio leases to contain green clauses	100% of all portfolio leases to contain green leases	32% of all leases in the portfolio include green lease clauses (7% as at 31 December 2020)
<b>GRESB</b>	Out-perform the Fund's peer group GRESB benchmark and ultimately achieve 5-star performance	Outperform our peer group average in European Non-Listed Healthcare	Achieve a 5-star rating in the GRESB global community	Maintain a 5-star rating in the GRESB global community	GRESB Score (2022): 86/100 Peer Group Average: 74/100
<b>Disclosure and Reporting</b>	Improve transparency and accountability to Investors (and relevant industry bodies), always seeking to incorporate best practices	Introduce ESG KPI/Target reporting into quarterly and annual reports. Undertake a materiality review of fund environmental impacts	All relevant KPI/Target data to be assured by an independent third party		KPIs/Targets introduced effective 1 January 2021. Progress reported on at high level quarterly and in depth annually.
<b>Climate Resilience</b>	Understand and aim to mitigate climate risk for the portfolio	100% of assets to be included in a preliminary climate risk mapping exercise	Stranding analysis to be undertaken in line with CRREM and action plans put in place for 'high risk' properties stranding within 5 years	All assets to have a plan for climate related risks	Climate risk mapping exercise completed, high risk properties highlighted and action planning to be completed throughout 2023



Description	Targets				Status as at December 2022
	Short (Within 1 year)	Medium (Within 3 years)	Long (Within 5 years)	Longer (Within 10 years)	
<b>Portfolio Impacts<sup>1,2</sup></b>					
<b>Portfolio Emissions Data</b>	Establish science-based targets applying fund emissions cap with the aim to limit and reduce scope 3 emissions in line with CRREM 1.5°C pathways	Data coverage of GHGs for at least 75% of assets	Improve understanding of portfolio GHG data to 100% All assets tracked against CRREM 1.5°C pathways		98% GHGs coverage across the portfolio <sup>3</sup> All assets tracked against CRREM 1.5°C pathways
<b>Portfolio Energy</b>	Track tenant-controlled energy with a view to reduce absolute energy demand	Accurate data coverage for 75% of assets	Develop an energy intensity metric per bedspace and publish a strategy for reducing intensity	100% of portfolio have renewable energy contracts in place	98% data coverage across the portfolio (by Assets) <sup>3</sup>
<b>Portfolio Net Zero Carbon Developments</b>	Net zero position of all assets by 2040	Target developed in 2021	Started on a retrofit programme	Deliver retrofit for first 5 homes	First digital twinning exercise completed
<b>Embodied Carbon in New Development</b>	By 2030, all newly developed assets will be net zero, with residual emissions offset via high quality carbon sequestration projects	Target developed in 2021	Design agreed for net zero carbon home Embodied carbon (AI-AS emissions) benchmark established for purpose built care home  From Q1 2023 all new constructions to have embodied carbon assessment completed and compared against benchmark		The planning application has been submitted and validated for net zero carbon home Embodied Carbon benchmark established for purpose built care home

As part of the ESG strategy, we monitor all our activities in relation to ESG requirements and are pleased to report that there have been no ESG-related controversies, misconduct, penalties, accidents or breaches against the codes of conduct / ethics. In addition, we can confirm the Octopus Real Estate has not been involved in any ESG-related breaches that have resulted in fines or penalties during the previous plan period.

<sup>1</sup>Stranding analysis will follow the CRREM method to identify how individual assets and the portfolio will perform against a 1.5°C decarbonisation pathway. This will be done to identify the risks posed by potential write-downs in asset valuation due to direct climate change impacts and devaluations related to the transition to a 'low-carbon economy'. <sup>2</sup>Following a preliminary materiality review, water and waste information is to be excluded from portfolio targets. <sup>3</sup>Data is as at 30 June 2023, and figures may change in subsequent reports as further data is collected.

Description	Targets				Status as at December 2022
	Short (Within 1 year)	Medium (Within 3 years)	Long (Within 5 years)	Longer (Within 10 years)	

**Manager Impacts**

<b>Manager's Energy</b>	Measure and control energy related to our corporate function with the aim to reduce our energy consumption over the longer term	As per Octopus Group			To be aligned with Octopus Group, subject to materiality assessment
<b>Manager's Water</b>	Measure and control water related to our corporate function with the aim to reduce our absolute water consumption over the longer term	As Per Octopus Group			To be aligned with Octopus Group, subject to materiality assessment
<b>Manager's Waste</b>	Measure and control waste production related to corporate functions with the aim to eliminate waste production over the longer term	As Per Octopus Group			To be aligned with Octopus Group, subject to materiality assessment

**Governance**

<b>Regulatory</b>	Ensure compliance with changing legal and regulatory requirements	100% Minimum Energy Efficiency Standard (MEES) compliance	Maintain and keep updated compliance requirements	100% compliance
		100% of our properties will undergo external health, quality and sustainability audits by external property surveyor and clinical regulatory bodies	Maintain and keep updated compliance requirements	100% oversight
<b>Training</b>	Ensure all staff, agents and suppliers involved in the fund management receive regular ESG related training and are incentivised through sustainability targets both in contracts and appraisal processes	100% of the portfolio management and investment team directly working on the Fund are trained on ESG 100% of Fund Managers to have ESG targets and objectives	100% of Octopus employees working on the Fund are trained on ESG 100% of the portfolio management and investment team working directly on the Fund to have ESG targets and objectives	100% of the portfolio management and investment team received ESG training in 2022 100% of Fund Managers have ESG specific targets
<b>Engagement</b>	Implement a tenant engagement programme with the objective to work more closely with our key stake holders	Introduce tenant ESG guide for all tenants to be accompanied by ESG webinar		Tenant ESG guide distributed and webinar Transitioning Care to Renewable Energy in Q4 2022

**We are committed to Responsible Investment**







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