

# **Octopus Healthcare Fund Responsible Investment Policy**

## Introduction

The Octopus Healthcare Fund (“OHF”) provides quality care beds to address the UK’s growing care bed deficit.

Octopus Investments (“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 Responsible Investment Policy (“the Policy”) is discussed and agreed by the Trustee of the Fund. It ensures that the Investment Manager considers the three aspects of responsible investment (mission, materiality and responsibility) when making investment decisions. It also outlines the Manager’s responsibility for executing the Policy and reporting on performance at least annually.

### Responsible Investment process

OHF follows a three-step approach to responsible investment which is aligned with the Manager’s Investment’s Responsible Investment Policy. This framework considers:

- 1. Mission:** the mission of an investment mandate
- 2. Materiality:** sustainability issues impacting Fund performance
- 3. Responsibility:** support offered to developers and operators

#### 1 Mission

OHF provides quality care beds to address the UK’s growing care bed deficit. 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.

To measure and manage the Fund’s social and environmental impact, the Manager will follow the OHF Impact Framework. The framework includes the following:

- A ‘theory of change’ explains how any given intervention is expected to lead to the desired social or environmental impact
- The Impact Management Project’s ‘5 dimensions of impact’
- IRIS+ metrics to measure the impact of an investment
- Independent verification against the Impact Principles
- To drive forward improvement in its performance, the Fund has a set of published environmental, social and governance objectives and targets relevant to healthcare investments. Progress against these targets is published in the annual Responsible Investment and Impact Report.

#### 2 Materiality

OHF considers sustainability issues that could affect the performance of the Fund. Using guidance from the Sustainability Accounting Standards Board (“SASB”) for the ‘Real Estate’ sector, the team have identified sustainability issues as well as considering their materiality and how they can be mitigated:

##### • Energy and Water Management

- Through a programme of sustainability and energy efficiency audits, including the BREEAM In-Use certification and the EPC, the Manager monitors the homes’ water and energy consumption and works with tenants to improve operational efficiency.
- The Manager requires all forward funded assets to include automatic metering for energy and water consumption, exclude the use of fossil fuels on site and achieve a minimum EPC A rating.

##### • Management of Tenant Sustainability Impacts

- The OHF Green Book (the “Green Book”) defines a set of Environmental, Social and Governance (“ESG”) requirements to be implemented across the Fund’s portfolio and specific objectives as part of its ESG management framework. All new construction projects, and standing investments subject to refurbishment, should aim to follow the requirements of the Green Book and must comply with the core requirements, which include being fossil fuel free, achieving a minimum BREEAM New Construction Very Good, incorporating on-site renewable energy sources, and calculating embodied carbon and Biodiversity Net Gain. This promotes sustainable design and construction, limiting risk and maximising the investment performance of the assets in the Fund.

##### • Climate Change Adaptation

- Full appraisal and due diligence process evaluates new assets, examining physical climate risks such as flood risk, heat stress, water stress, storms and ground risk. The OHF Heat Map monitors these risks, along with indicators of material transition risks in policy, legal, technology, market, and reputational aspects. It identifies policy and legal risks, manages exposure to energy use and fuel types and identifies all assets liable to be stranded in the next five years according to the usage per kWh/m<sup>2</sup> and CO<sub>2</sub>/m<sup>2</sup>. Technology risks are tracked through primary heating systems, LED lighting, and availability of installation of renewable energy solutions. Market risks are assessed by monitoring energy use and Carbon Risk Real Estate Monitor outputs under a 1.5°C scenario, and reputational risks are managed by reviewing investor due diligence and staying informed about sector shifts and preferences.

### 3 Responsibility

The Manager is committed to operating in a manner to minimise any adverse impacts of the Fund's activities. The Fund is committed to building 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 carbon, and all existing assets will be net zero by 2040.

The Fund will also comply with all relevant health and safety and environmental legislation. Furthermore, the Manager is committed to continuously improving ESG performance and will educate and motivate its staff and stakeholders to be socially, environmentally and economically responsible.

The Manager has developed an Engagement Tool which it sends 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.

The Fund aligns its principles with the UN Sustainable Development Goals ("UNSDG"):



**UN SDG No. 3 - Good Health and Well-Being:** Ensure healthy lives and promote well-being for all at all ages; and  
– Target 3.8 - Achieve access to quality healthcare services



**UN SDG No. 7 - Affordable and Clean Energy:** Ensure access to affordable, reliable, sustainable and modern energy for all; and



**UN SDG No. 11 - Sustainable Cities and Communities:** Make cities and human settlements inclusive, safe, resilient and sustainable; and



**UN SDG No. 13 - Responsible Consumption and Production:** Take urgent action to combat climate change and its impacts; and



**UN SDG No. 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.

#### Oversight

The Investment and Impact and Sustainability Team support the Manager in monitoring and reporting the Fund's performance against this Policy. The Manager will ultimately be responsible for making updates and continuously improving the Fund's commitments and performance.

This Policy, and any amendments to it, is approved by the Trustees of the Fund. The OHF Investment Team, overseen by the Octopus Real Estate Investment Committee, is responsible for ensuring all investment decisions are in line with this Policy and the procedures set out in the Green Book. Where additional expertise is required to implement, including, in relation to a specific investment by the Fund, the OHF Investment Team shall engage appropriate external parties.

The Octopus Impact and Sustainability team provides oversight of responsible investment to the Octopus Investment's Responsible Investment Committee, which consists of the Octopus Founder, Group Chief Executive Officer, Chief Investment Officer, Head of Institutional, Head of Impact and Sustainability and Chief of Staff.

#### Reporting

It is the responsibility of the Manager to provide OHF investors with sustainability and operational metrics and case studies of investments. This will include combined information (removing duplicates) from the following frameworks:

- SASB
- TCFD (Taskforce on Climate-Related Financial Disclosures)
- GRESB (Global Real Estate Sustainability Benchmark)
- Global Impact Investing Network's Operating Principles for Impact Management
- SFDR (Sustainable Finance Disclosure Regulation)

#### Policies and Practices

The Manager has several existing policies and practices that apply to the Fund, including the following:

- Equal opportunities;
- Recruitment and staffing;
- Health and safety;
- Whistleblowing;
- Conflicts of interest;
- Corporate governance, risk, audit and compliance;
- Data protection and information security;
- Anti-bribery and corruption;
- Anti-money laundering;
- Employee health and wellbeing;
- Customer satisfaction;
- Employee remuneration;
- Forced or compulsory labour;
- Human rights;
- Inclusion and diversity;
- Labour standards and working conditions;
- Stakeholder engagement; and
- Community involvement.



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