

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 AIF Management Limited (the “Manager”) instructs Octopus Investments Limited (as adviser to the Fund, the “Adviser”) to place environmental, social and governance (“ESG”) considerations at the core of the Fund’s investment focus when making recommendations. The Manager aims to fund the delivery of high-quality Care Homes and Specialist Healthcare real estate that increases the supply of quality care beds across the health and social care sector. 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 (“RI”) Policy (“the Policy”) is considered and agreed by the Trustee of the Fund. It ensures that the three-step approach to 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 Five Dimensions of Impact
- IRIS+ metrics to measure the impact of an investment
- Operating Principles for Impact Management Disclosure Statement
- Independent verification against the Operating Principles for Impact Management Disclosure Statement.

2. Materiality

OHF considers sustainability issues that could affect the performance of the Fund by following the Sustainability Accounting Standards Board (“SASB”) guidelines for the ‘Real Estate’ sector.

On each deal OHF uses the Responsible Investment Tool (“RI Tool”) to assess sustainability-related risks. Key issues are identified, their materiality is evaluated, and mitigation strategies are considered. Fund-level and firm-level RI data is monitored through Octopus Investment’s RI dashboard. The Manager have identified sustainability issues as well as considering their materiality and how they can be mitigated:

Does the company seek to measure the energy consumption and improve efficiency of tenant spaces?

- The Manager measures the energy consumption of all portfolio homes. The Manager conducts annual meetings with operators to review the home’s operational energy performance and heat map score. The energy performance is compared at an asset level and to the rest of OHF’s anonymised portfolio, highlighting the performance of the asset and the potential electricity saving of PV. The heat map divides the assets into quintiles and identifies key risk attributes of homes. It highlights energy inefficiencies, including EPC ratings, BREEAM In-Use scores, fuel type, stranding year, fuel use (kWh per occupied bed), and electricity use (kWh per occupied bed). These factors are compared against an anonymised portfolio. In addition, the Manager is working on a decarbonisation project to produce reports detailing carbon savings, the costs associated with decarbonisation

interventions, and their impact on the operators' operational expenses. The Manager is in discussions with tenants regarding the suggested interventions.

What energy rating systems does the Fund use and how widely are they used across the portfolio?

- Through a sustainability and energy efficiency audits programme, 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.

How are building energy management considerations incorporated into property investment analysis and operational strategy?

- The Fund's Sustainability Consultants conduct a pre-contract sustainability review as part of the initial due diligence process. The vendor/developer sends relevant information to the Consultants for review. The review assesses the asset's status against the OHF Green Book (the "Green Book") which defines a set of ESG requirements to be implemented across the Fund's portfolio and specific objectives as part of its ESG management framework. The pre-contractual report includes where requirements have been met and recommended improvements if required.

What specific actions, programmes, lease clauses and requirements does the company implement to increase the sustainability performance of its tenants (e.g., increase tenants' energy and water efficiency)?

- 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 all-electric, achieving a minimum BREEAM New Construction Very Good, incorporating on-site renewable energy sources, all new developments to reach the upfront embodied carbon target of 410 kgCO₂ /m² GIA and achieve over 10% biodiversity net gain on new construction. This promotes sustainable design and construction, limiting risk and ensuring long-term performance of the assets in the Fund.
- The Fund's sustainability and energy efficiency audits include actions to improve the BREEAM In-Use performance of the home. In addition, the Manager is working on a decarbonisation project to produce reports detailing carbon savings for all of the portfolio.
- The Fund continues to work to increase this percentage, and all new assets entering the Fund include green lease clauses.

What are the company's views on its portfolio's exposure to climate change, including physical and regulatory risks? What is the company's approach to measuring and managing climate change-related risks?

- A 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 and indicates 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/m² and CO₂/m². Technology risks are tracked through primary heating systems, LED lighting, and the 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.

To drive forward improvement in its performance, the Fund has a set of published ESG objectives and targets relevant to healthcare investments. Progress against these targets is published in the Fund's annual Responsible Investment and Impact Report.

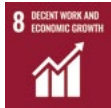
The Fund will also comply with all relevant health and safety and environmental legislation. Furthermore, the Manager is committed to continuously improving ESG performance and will educate and motivate its staff and stakeholders to be socially, environmentally and economically responsible.

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 ("UN SDG"):



3.8 – Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.



8.8 – Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.



12.6 – Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Oversight

The Manager monitors and reports on 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 Responsible Investment Committee provides oversight over the implementation of the Octopus Investments Responsible Investment policy.

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 Disclosure Statement
- 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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