

# Octopus Healthcare Fund ESG Policy

## Purpose

This policy sets out Octopus Healthcare Fund's ('OHF' or the 'Fund') approach to identifying and managing environmental, social and governance ('ESG') matters. The policy is tailored to the specific risks and processes applicable to the Fund, and demonstrates our commitment to a responsible and considered approach to ESG that reflects the interests of all our stakeholders.

As the Fund's manager, Octopus Real Estate ('ORE') will comply with all relevant health & safety and environmental legislation. ORE will seek to use its standing in the healthcare sector to positively influence its tenant and subcontractor behaviour to comply with all relevant legal duties and best practice.

This policy is a key document within ORE's ESG management framework. The ORE ESG management framework uses objectives and targets relevant to its healthcare investments to measure and monitor progress. ORE, and the wider Octopus Group, are committed to continuous improvement of ESG performance and will educate and motivate its staff and its stakeholders to be socially, environmentally and economically responsible.

## Scope

This OHF ESG Policy covers the investment and management of all assets held by OHF and therefore addresses the ESG aspects of the Fund's own activities, as well as the activities undertaken by third parties in the construction, valuation and operation of these assets.

## Roles and Responsibilities

The OHF Fund Manager<sup>1</sup> is designated to assume responsibility for the management of ESG issues and the implementation of this OHF ESG Policy. The OHF Fund Manager is supported in their role by the OHF Property Manager and the OHF Investment Team in the monitoring and reporting of the Fund's performance against this policy. The OHF Fund Manager will ultimately be responsible for making any updates to this OHF ESG Policy to continuously improve the Fund's ESG commitments and performance. This policy, and any amendments to it, will be approved by the Trustee to the Fund

The OHF Investment Team, overseen by the Octopus Real Estate Investment Committee, are responsible for ensuring all investment decisions are taken in line with this OHF ESG Policy and the procedures set out in the Octopus Healthcare Green Book (the 'Green Book').

Where additional expertise is required to implement this OHF ESG Policy, including in relation to a specific investment by the Fund, the OHF Investment Team shall engage appropriate external parties.

The OHF Property Manager sits on the Octopus Real Estate ESG Committee and feeds into the Octopus Group Responsible Investment Committee which oversees the implementation of ESG activities across the Octopus Group.

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<sup>1</sup> The individual within ORE who leads the OHF fund management team.

## Commitment to the ESG Principles

As an investor in the UK healthcare sector, OHF 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. It is vital that the assets the Fund invests in are sustainable in their design and operation, are resilient to changing environment and social needs and provide high quality places that are healthy and provide healing environments for people.



The Fund aligns its principles with the UN Sustainable Development Goals, in particular:-

UN



SDG 3 Good Health and Well-Being

Ensure healthy lives and promote well-being for all at all ages;

and;



UN SDG 11 Sustainable Cities and Communities

Make cities and human settlements inclusive, safe, resilient and sustainable.

Octopus Group (through Octopus Investments) is a signatory of the UN Principles of Responsible Investment (PRI) and is therefore committed to reporting annually on our responsible investment activities, including our TCFD<sup>2</sup>-aligned indicators.

In support of our principles and practices, OHF has identified the following fund specific objectives as part of our ESG management framework:-

- To minimise climate change impacts and encourage sustainable use of natural resources;
- To protect the natural environment;
- To provide a safe and healthy environment which supports wellbeing; and
- To maximise socio-economic benefits and minimise impacts on biodiversity.

Commitment to ESG issues is long-term and as such ORE, as the Fund's manager, is developing its management processes (as set out in Annex I overleaf) enabling it to measure and account for its progress as it seeks to fulfil its commitment to sustainable healthcare investment..

Handwritten signature of Tracy Lewis in black ink.

Handwritten signature of Neil Fell in black ink.

Signature of authorised signatory

Tracy Lewis and Neil Fell, for Oak Fund Services (Guernsey) Limited as trustee of Octopus Healthcare Fund

Date: 02/02/2022

<sup>2</sup> Task Force on Climate-related Financial Disclosures

## Annex I – OHF policies and practices

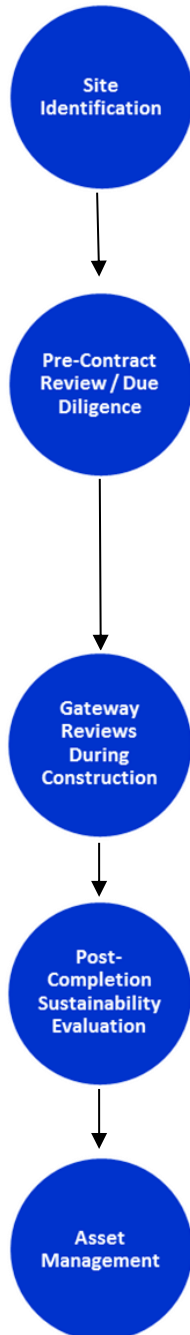
In addition to the ESG Principles, management of the Fund is guided by a number of policies and practices that are relevant to the sector, and deliver commitment to ESG matters:

1. *Policies and practices:* Octopus Group has a number of existing policies and practices that apply to ORE’s management of OHF, including the following:
  - (a) equal opportunities, recruitment and staffing;
  - (b) health and safety;
  - (c) whistleblowing;
  - (d) conflicts of interest;
  - (e) corporate governance, risk, audit and compliance;
  - (f) data protection and information security;
  - (g) anti-bribery and corruption;
  - (h) anti-money laundering;
  - (i) employee health and wellbeing;
  - (j) customer satisfaction;
  - (k) employee remuneration;
  - (l) forced or compulsory labour;
  - (m) human rights;
  - (n) inclusion and diversity;
  - (o) labour standards and working conditions;
  - (p) stakeholder engagement; and
  - (q) community involvement.
2. *Investments:* ORE will request investee entities to sign an undertaking confirming that their business will be carried out in a manner consistent with OHF ESG Principles. ORE will assist investee entities in developing action plans to address any areas of non-compliance. Investee entities are encouraged to adopt and implement policies based on the Fund ESG Principles, particularly where ESG risks are identified. Investee entities are also encouraged to aim for continuous improvement in these areas. Where such investee entities are listed, advice will be informed by laws and regulations applicable to listed entities, as well as on perception of market trends, the approach taken by their peers, stakeholder scrutiny and recognised best practice.
3. *Engagement with tenants:* Relationships with tenant entities are viewed as partnerships. This enables regular contact with the tenants to monitor their compliance with the ESG Principles and to identify and address ESG matters. For example, periodic site visits (including by personnel with medical experience) are conducted, ensuring that reports are regularly received from tenants on site performance and conduct annual building surveys to ensure (amongst other things) that a site is maintained in line with applicable health and safety standards. ORE engages with tenants on a regular basis to gather data on the ESG performance of the assets.
4. *Monitoring and review:* Through a programme of sustainability and energy efficiency audits, including BREEAM In Use certification, ORE monitors how OHF is managed in line with ESG Principles set out in this policy. Progress is reported in quarterly and annual reports. Where issues are identified, ORE will address each issue on a case-by-case basis with involvement from individuals with the relevant level of expertise and experience (including, where appropriate, medically trained Octopus personnel including the ORE Clinical Assurance Director).
5. *Benchmarking:* ORE will monitor ESG performance, submitting to Global Real Estate Sustainability Benchmark (‘GRESB’) and feed into the Octopus United Nations Principles for

Responsible Investment submission annually. Results of the submissions will be analysed and actions will be taken to sustain and further improve future scoring.

6. *Consideration of sector-specific factors:* The Fund invests for the long term and deals with the issues inherent in investing in healthcare real estate. ORE is familiar with ESG issues that may arise as part of planning and development and the operation of healthcare facilities. The Green Book defines a set of sustainability standards to be implemented across the investment portfolio. The aspects addressed in the Green Book are informed by our ESG policy and best practices for sustainable design and construction of healthcare buildings.
7. *Consideration of geography-specific factors:* OHF operates exclusively in the United Kingdom and takes a tailored approach to investment. When making investment decisions ORE will make use of relevant studies and reports relating to ESG matters and make appropriate planning and land searches. The pre-contract Sustainability Review ensures consideration of these factors during decision making.
8. *Established networks:* An established and extensive network of relationships with a range of parties are leveraged, including developers, operators, construction contractors and tenants. The majority of our business is conducted with these counterparties. Relationships are based on established business integrity principles, including appropriate conflict management, and form part of the expertise and advice on which are relied.
9. *Sector specific regulation:* The Fund operates in a sector that is highly regulated and monitored by a variety of different parties. ORE aims to be at the forefront of changes to rules and regulations to ensure compliance. The Green Book establishes a set of minimum and aspirational standards for OHF.
10. *Corporate governance:* OHF and ORE operate in accordance with established corporate governance processes (which are described, in detail, in our investor documents and follow the structure set out in the Annex II overleaf), and the ORE management team has oversight of the management of all healthcare assets and investments.
11. *Investment cycle:* ESG matters are considered and implemented throughout the OHF investment cycle, following the processes set out in the Green Book. All new construction healthcare projects, and standing investments subject to refurbishment, should aim to follow the requirements of the Green Book. This helps to demonstrate good practices in sustainable design and construction, limiting risk and maximising the investment potential of the assets in the Fund. The Fund's tailored approach to the investment programme is further described in the Annex II overleaf which demonstrates how ESG matters will be considered and implemented throughout the OHF investment cycle.

## Annex II – Octopus Real Estate Green Book – Sustainable Development and Refurbishment Framework



<p><b>Site Identification</b></p> <p>Following the initial sourcing of a deal, to ensure alignment with our ethical principles (e.g. breach of applicable planning laws, human rights abuse, unsatisfactory clinical or working conditions, bribery and corruption), further screening is undertaken to assess the suitability of the deal using the internal Project Assessment Schedule document.</p>
<p><b>Pre-Contract Review/Due Diligence</b></p> <p>Using the pro-formas in the Green Book, a Pre-Contract Sustainability Review is completed as part of the due diligence process. The assessment is undertaken by a sustainability consultant and fund monitor, in conjunction with ORE and the borrower thus reflecting the collaborative nature of the process. Using the available documentation and design details, the sustainability consultant assesses the status of the sustainability credentials identified within the Green Book.</p> <p>The results of this assessment are then used to inform the Sustainability Brief for the development, forming part of the contractual funding agreement.</p>
<p><b>Gateway Reviews During Construction</b></p> <p>During procurement and construction, sustainability ‘gateway reviews’ are completed using the proforma document, which can be updated as the project progresses. The number and frequency of the gateway reviews will be dictated by the project size and duration and would be agreed by the sustainability consultant, fund monitor and Octopus.</p>
<p><b>Post-Completion Sustainability Evaluation</b></p> <p>Upon completion, a Post-Completion Review is undertaken to evaluate the success of the borrower / the development in meeting the requirements of the Sustainability Brief. This part of the process allows for a period of reflection and lessons learned to be fed back and retained by ORE to enable better site identification (deal sourcing) in future.</p>
<p><b>Asset Management</b></p> <p>A critical aspect of the process relates to Asset Management. There are aspects of a building’s management, such as energy use, that will directly influence the sustainability performance of the property, and therefore require monitoring. Relevant requirements on asset management and reporting will be placed on the tenant / asset manager under Green Lease provisions and through the soft landings approach. The sustainability consultant will then be engaged to appraise annual data to identify areas for improvement and assess the portfolio against BREEAM In Use criteria.</p>