

Octopus Responsible Investment Policy

January 2024

Introduction

We're not afraid to do things differently. That's why this policy is two pages long rather than twenty.

We want Octopus to be a catalyst for positive, meaningful change. All our attention is focused on the things that bring us closer to achieving our mission; backing the people, ideas, and industries that will change the world.

We're driven by three core beliefs

1. Things need to change

Companies have spent far too long measuring their success through a single lens. Profit. They've sacrificed the interests of others (their employees, their customers, their communities, and the environment) for their own financial benefit.

2. In the future, the most successful companies will be a force for 'good'

We're 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.

3. How a company behaves is just as important as what it does

The world is more connected and more transparent than ever before. This means that the walls companies used to build around themselves are being ripped down. Today, customers (and employees) hold the power. A new breed of company will be successful, one which understands that how it behaves is just as important as what it does.

B Corp

In line with our beliefs and our values, Octopus became an accredited B Corp in 2021. As a B Corp, we changed our Articles of Association so that every decision we make considers the interests of our five core stakeholder groups (our employees, communities, customers, shareholders and the environment). Today we rank in the top 10% of all B Corps globally and have set a target to reach the top 1% when we re-certify in 2028.

We're working to make our vision for the future a reality

Our three-step responsible investment process creates the change we want to see in the world:

1. Mission: We target sectors that make the world a better place

Today the majority of the £14 billion we manage is invested across three themes, building a sustainable planet, empowering people, and revitalising healthcare. We're working to make that number £50 billion before the end of the decade.

Here's a really simple breakdown of each theme:

- **Building a sustainable planet:** We're moving towards a low carbon economy. We believe that companies helping to accelerate this transition will create value at an unprecedented rate over the next 20 years.
- **Empowering people:** Increasingly, people want to engage with companies which understand their needs and those of their community. We're making investments on a mission to tackle inequality and improve access to products and services that empower people and build stronger communities.
- **Revitalising healthcare:** Today as much as a third of middle-aged adults suffer multiple chronic health conditions, and mental health issues are endemic among younger generations. Companies with solutions making healthcare more efficient and affordable, are creating social and financial value faster than ever before.

Where our investment mandates target specific social or environmental outcomes, we expect teams to integrate our Impact Framework within their investment process.

2. Materiality: We identify sustainability issues that could affect the performance of an investment

While we believe that responsible investment extends beyond financial risk and opportunity and into how companies behave, we also recognise the need for a structured approach to the financial materiality of sustainability issues to ensure we make informed investment decisions.

Across all our investment strategies and products, we consider environmental, social and governance risks within the investment process. This helps us identify sustainability issues (including climate risks) that could impact the performance of an investment.

3. Responsibility: We think a company's values and culture are the best indicators of future growth.

We've created an engagement tool in collaboration with B Lab UK, which we send out to companies we invest in as part of our investment process. It's a call to arms for companies which believe in our vision for the future, and the answers help us provide the tools and guidance that will ultimately help build more responsible, and valuable, companies.

- **People:** We look at how companies look after the financial, emotional, and physical wellbeing of their employees.
- **Customers:** We assess how companies build deep emotional connections with customers.
- **Community:** We seek to understand how companies engage with the wider community they're part of.
- **Environment:** We help companies measure their carbon footprint and encourage them to make the tough decisions that are needed to get to net zero as fast as possible.

Ownership and accountability

Ownership and accountability for responsible investment run through Octopus from the top:

We don't treat responsible investment like an add-on to our investment process. Everyone is expected to be a 'responsible investment expert' whether you're a Founder, a CEO or an investment manager.

1. Responsible investment informs how we run our business, starting with our mission.
2. Our Responsible Investment (RI) Committee provides oversight of responsible investment and consists of an Octopus Founder, our Group Chief Executive Officer, Chief Investment Officer, Head of Institutional, Head of Impact & Sustainability and Chief of Staff.
3. Our Head of Impact and Sustainability is responsible for the delivery of this policy and sets out the responsible investment strategy for the business (which is approved by the RI Committee).
4. Our Investment Managers are responsible for the development and delivery of fund-level responsible investment policies that form part of the investment mandates they manage.
5. The Impact and Sustainability team works across the entire business to embed responsible investment within our processes, provide training, specialist resource, and support teams with disclosures and responsible investment reporting.

Climate change

We believe the climate emergency will bring huge disruption to our lives and the investment world over the next 20 years. We're committed to reaching Net Zero by 2040 or sooner across our operations and financed emissions (Scope 3 Category 15). More information on our net zero commitments can be found on our [Net Zero](#) page. We're integrating guidance from the Taskforce on Climate Related Financial Disclosures (TCFD) to help us understand and develop resilience to climate-related risks:

- Investment teams identify climate-related risks and opportunities relating to their investments.
- Investment teams consider the materiality of these issues within 1.5 and 4-degree pathways.
- The heads of each investment business report to the RI Committee on their material climate related exposure, and the RI committee approve a suitable risk management approach.
- The investment teams set targets to manage these issues and performance is reported back to the RI committee quarterly.
- The RI Committee reports annually to the board on TCFD risks across the business.

Verification

We use third parties to verify our approach to responsible business and responsible investment:

We're more focused on making a genuine impact, and building a genuinely responsible investment business, than signing up to complicated frameworks that aren't effecting change.

Sometimes, however, third parties help us achieve that goal. It's why we chose to become a B Corp, signed up to the Principles for Responsible Investment (PRI), the Global Real Estate Sustainability Benchmark (GRESB), and implement guidance from the Sustainability Accounting Standards Board (SASB).

We fully appreciate that everyone has a different approach to responsible investment, so we'll always do whatever it takes to help our investors get comfortable with our approach. If you've got any questions, we'd love to hear from you, you can contact Jack in our Impact and Sustainability team [here](#).