

Marketing material

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Responsible Investment and Impact Report

June 2024

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The value of an investment, and any income from it may fall as well as rise. Investors may not get back the full amount they invest. The fund will see investment risk concentrated in specific sectors, countries and currencies. This means the strategy will be more sensitive to any localised economic, market, political or regulatory events. Due to the nature of the underlying investments, investors will not be able to withdraw prior to the end of the term, and liquidity cannot be guaranteed. The fund will invest in projects under development or in development teams and, therefore will be exposed to certain risks, such as regulation of the permitting, taxes, failure rate of projects during the development, cost overruns, development delays, counterparty risks and others which may be outside our control. Returns achieved are reliant upon the performance of the fund's portfolio of healthcare businesses. Fluctuations in operating results may be due to a number of factors, including changes in the supply and demand for, and residual value of the assets, changes in operating expenses, defaults by counterparties, environmental factors and more. Portfolio assets will still be subject to the additional regulatory requirements of operating in the healthcare sector.

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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.



Find it fast

About this report	4
About Octopus Healthcare Fund	4
OHF Real Estate Portfolio	5
Our approach	6
Our progress	7
Quality assurance	9
Targets - Net Zero Carbon	10
Embodied carbon	12
Operational emissions	14
Fund performance	17
Fund ESG targets	20

About this report

This Responsible Investment and Impact report includes the actions that have been taken by Octopus AIF Management Limited (the Manager) regarding Octopus Healthcare Fund ("OHF" or "the Fund"). Unless otherwise stated, all data in this report is at 31 December 2023. The reporting extends to the real estate assets the Fund owns and where the operators 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. The report and data included has been independently verified by Envision, OHF's Sustainability Consultants.

About Octopus Healthcare Fund

OHF is one of the largest unlisted healthcare real estate funds in the UK, managing **£1.49bn** assets comprising of **88** trading care homes and **17** homes under construction.¹ The Fund works with **34** operators throughout the UK.

Impact report - headline results *as of 31 December 2023.



How much invested?
£1.5bn



How many quality care beds?²
6310



How many new quality beds in the year?²
611



Homes under construction?
17



Total amount of beds including pipeline
7,399



Total emissions per filled bed
2,734



Air and Ground Source Heat Pumps
37%



Percentage of renewable electricity contracts
29%



Energy data coverage³
99%



Water data coverage³
65%

¹16 homes forward funded and 1 home forward committed.

² Number of quality care beds within the portfolio, the full definition of quality beds can be found on page 6.

³ The 2023 data is as at 28 June 2024, and figures may change in subsequent reports as further data is collected. Total energy and water data coverage, represented as a percentage of floor area (m²) for energy and cubic meters (m³) for water.

OHF real estate portfolio

Key

- Standing investments
- Forward fundings
- Forward commitments

North West

Properties	23
Beds	1,738
Portfolio income	22.2%

Yorkshire and the Humber

Properties	7
Beds	494
Portfolio income	6.4%

East Midlands

Properties	16
Beds	1,240
Portfolio income	16.1%

East of England

Properties	12
Beds	832
Portfolio income	10.6%

West Midlands

Properties	9
Beds	588
Portfolio income	7.8%

South West

Properties	9
Beds	655
Portfolio income	8.3%

South East

Properties	27
Beds	1,832
Portfolio income	26.6%

Greater London

Properties	2
Beds	139
Portfolio income	2.0%

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.

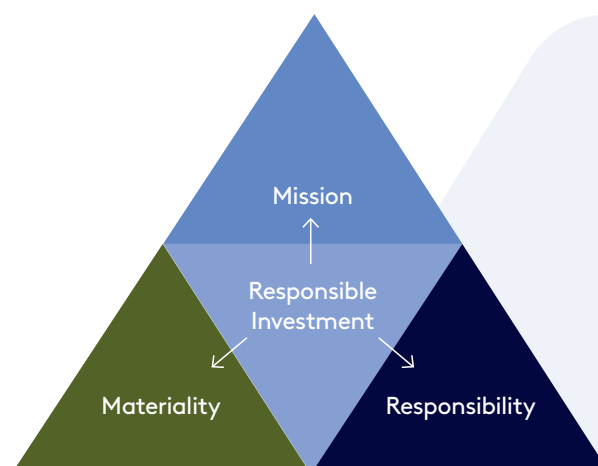
3. Responsibility: support offered to operators

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 2040.¹

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.



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

Our progress

Impact

Since 1 January 2021, Octopus Investments Ltd has been a signatory of the Global Impact Investing Network's Operating Principles for Impact Management (the Impact Principles), with the Fund committed to operating 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

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	

The Manager published their first annual disclosure statement on 31 January 2022 in line with the Impact Principles requirements. During 2023, the Fund contributed 8.6% (611 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 ¹	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Cumulative 2023
Number of quality care beds in OHF portfolio as % of all UK care beds	No. of quality care beds in OHF portfolio	5,740 ²	5,914 ²	6,052 ²	6,310 ²	6,310 ²
		441,387	441,342	440,973	442,066	441,442
	No. of UK care beds					
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	64	196	138	213	611
		1,401	1,564	2,305	1,844	7,114
	No. of UK new care beds delivered in period					
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	64	196	138	213	611
		250,608	221,151	218,979	217,042	226,945
	Shortfall in UK care beds with en-suite wetrooms					

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.



¹ UK data supplied by Carterwood. OHF data includes Specialist Healthcare beds.

² Excludes homes with an “Inadequate” CQC Rating and included on the Clinical Assurance Team’s “Watch List”.

Quality assurance

The Fund's in-house Quality Assurance Team is committed to ensuring people residing in our care homes have an excellent quality of life and receive best-in-practice care. The team consists of three highly qualified practising nurses with a wide range of health and social care experience and knowledge. They understand the current challenges affecting social care, the responsibility of providing care to a vulnerable population with increasingly complex needs and the demands on operators from regulators, the public and the rising cost of living.

The team provide expert knowledge and guidance:

- Thorough clinical due diligence on an operator before becoming a tenant of the Fund;
- Continued oversight of OHF care homes from an operational and quality perspective, via in-person visits based on needs and risk, and relationships built with the operator's senior leadership teams;
- Data collection and key performance indicator reviews allow for the identification of trends and benchmarking operators;
- Completing quality assurance audit/mock inspections to deep dive into a care home's processes and resident experience.

The team work alongside our operators to build relationships and provide support to share best practices and enhance the care that residents living in an OHF care home will ultimately benefit from. This is done by:

- Being easily accessible and approachable, open to sharing information and providing support in any way we can;
- Providing an ongoing free education program that all our operators can access and benefit from; these vary from in-person education days, workshops, webinars and on-site bespoke training in areas such as end-of-life care;
- Attending networking events and conferences to gather and disseminate best-in-practice knowledge to the Fund's operators.

The team encourage and highlight outstanding practices witnessed in every OHF care home. Community engagement occurs at every care home in the portfolio to benefit the local community, allow residents to feel like they are a part of that community, and help with social isolation. An example of this in

practice comes from a care home in Newbury, where care home residents teamed up with a local primary school children for a litter pick. Together, they collected over 20 kilos of litter from the local area. The team also promote individuality and person-centred care in every care home. A care home in Box has converted an area into a workshop for a resident who has worked as a carpenter. He can use his workshop and is helping to upcycle some furniture for the home.

The team integrate our nursing expertise with the priorities of ORE to guide and promote best practices in care home design. All of the Fund's care homes are purpose-built and fit for the future. The team, endeavour to push boundaries by introducing the latest research and innovative technology to improve the quality of life for care home residents. The team recently hosted an event to explore the 'Lived Experience' of care home residents. During this event, traditional care home designs were challenged by bringing together dementia care researchers, architects, interior designers, and daily care providers to rethink care home layouts. Key ideas discussed included smaller community-based designs, increased ventilation, more natural light, adaptable social spaces, and flexible bathroom arrangements. The event was a huge success, and the team plan to build on this momentum to drive change and improvement for residents in the Fund's care homes.

The team believe that every person living in an OHF care home should receive best-practice care while residing in homes that provide and promote quality of life.



Targets

Net Zero carbon

Since the publication of our net zero carbon statement in November 2021, the Fund has been working to build its strategy to reach its 2040 net zero target. Over the past year, we've focused on understanding the whole-life carbon effects of the assets and reviewing the embodied and operational carbon produced.

2030

Embodied carbon

- 1 Reduce carbon
- 2 Optimise materials
- 3 Plan for the future
- 4 Carbon offset

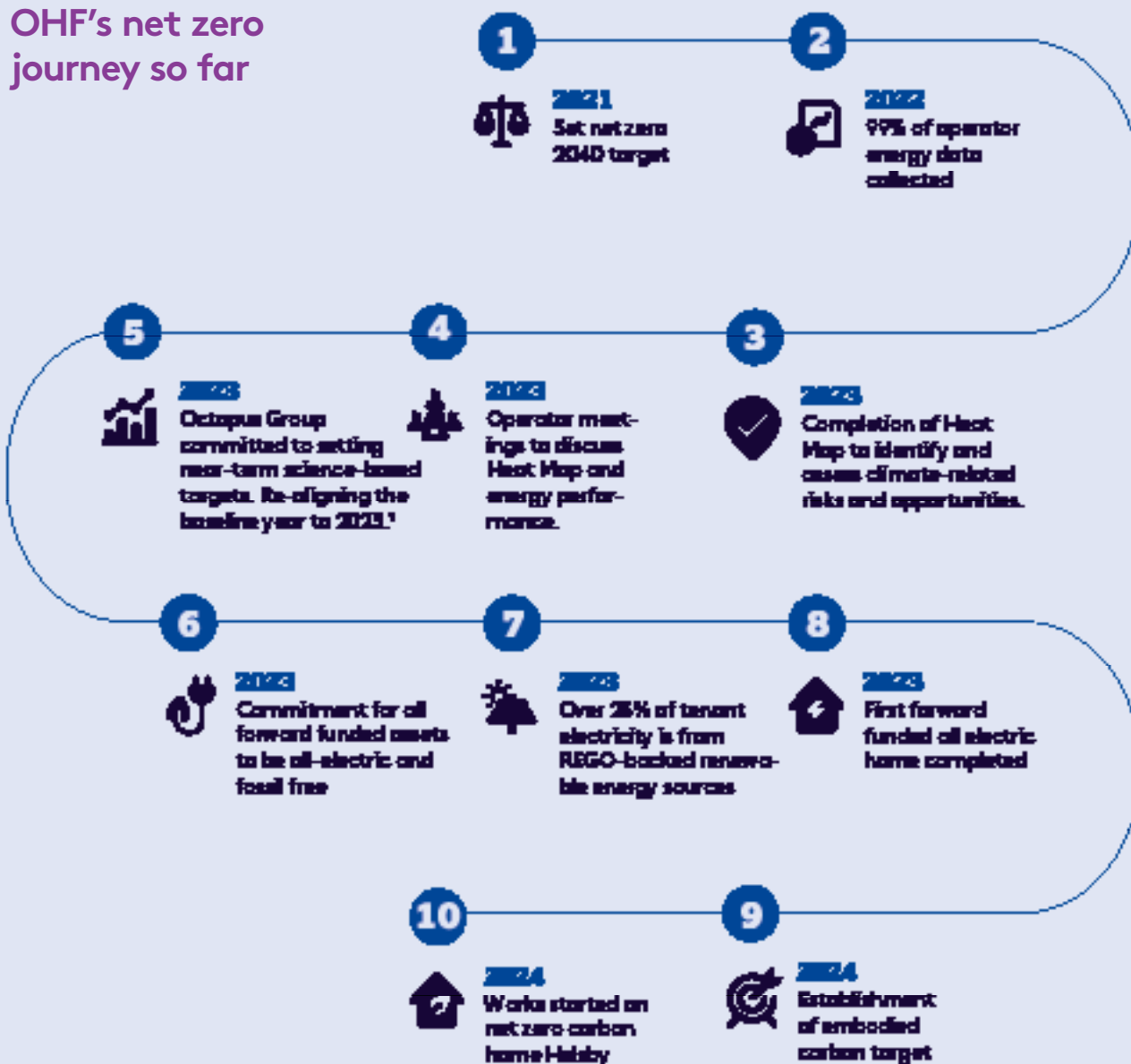
Net Zero
Whole Life
Carbon

2040

Operational carbon

- 1 Reduce the demand for energy
- 2 Using energy efficiently
- 3 Using renewable energy
- 4 Carbon offset

OHF's net zero journey so far



¹ Octopus Group is the parent company of Octopus Investments.

Embodied carbon

Low carbon design

To understand an asset’s whole life cycle impact, Envision has conducted whole life carbon assessments (“WLCA”) over the past 6 months on a mixture of fifteen newly constructed and forward funded assets, including one existing timber framed structure. The result of the assessments has created an upfront embodied carbon target that will be used for all forward-funded assets moving forward. The results will help us to educate the market and share best practices of sustainable design and construction methods.

Four key findings from assessments:

- Consider replacement cycles and longevity of building services and finishes.
- Design systems to reduce refrigerant quantity and specify lower Global Warming Potential refrigerants.
- Consider a timber frame structure or roof within the superstructure.
- Design utilising shallow foundations where ground conditions allow.

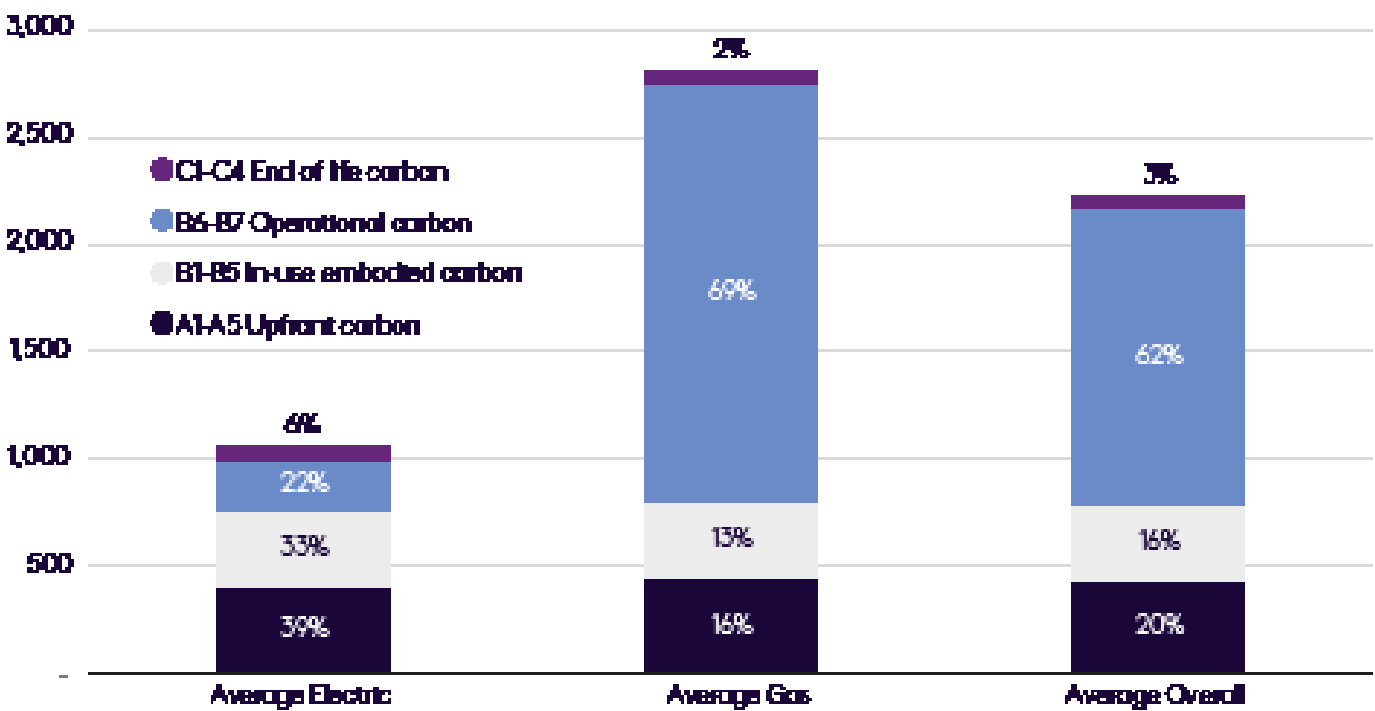
For the upfront carbon, the main contributors include the substructure (21% average), building services (24% average) and the superstructure (30% average (including frame, upper floors, roof, and external walls). Homes with shallow foundations and timber frames

are shown to have a greater reduction in upfront carbon than the alternative design types.

We examined the superstructure options further and compared the portfolio average against a timber frame, 70% recycled lightweight steel frame (“SFS”) and a low embodied carbon concrete block structure. Timber frames have the lowest associated embodied carbon, followed by concrete block and the highest is the SFS. This is due to current steel manufacturing methods in the UK - the 70% recycled content needs to be higher to effectively drive down the embodied carbon, as the average steel recycled content in the UK is already around 60%. Due to the relative simplicity of the concrete block structure for a care home, there are inherent embodied carbon savings from this construction method.

The assessments have revealed a significant environmental advantage of all-electric systems. On average, these systems demonstrate a 62% reduction in operational carbon (B6-B7) compared to natural gas systems. Air Source Heat Pumps (“ASHPs”) within the all-electric systems were found to have a higher embodied impact than the alternative gas CHP systems, high quantities of refrigerant are also used within all-electric systems and, therefore drive up the in-use embodied carbon (B1). Despite the higher embodied impact, all-electric systems provide significant operational carbon savings which more than make up for this difference.

Whole life carbon result summary by life-cycle module



Developer engagement

Engagement with the Fund's developers is key to meeting the 2030 target of all newly developed assets to be net zero. The Green Book outlines the core requirements for assets entering the Fund and was updated towards the end of 2023. The core requirements include:

- Achieve, or be predicted to achieve BREEAM In Use ("BiU") Excellent.
- Achieve a minimum BREEAM New Construction Very Good (Forward Funded only).
- Automatic metering system for all energy and water consumption.
- Achieve a minimum EPC A rating.
- No fossil fuels used on site.
- Onsite renewable energy sources.
- Energy purchased via green tariff.
- Calculate embodied carbon on new construction.
- Measure Biodiversity Net Gain on new construction.

Green refurbishment and retrofit

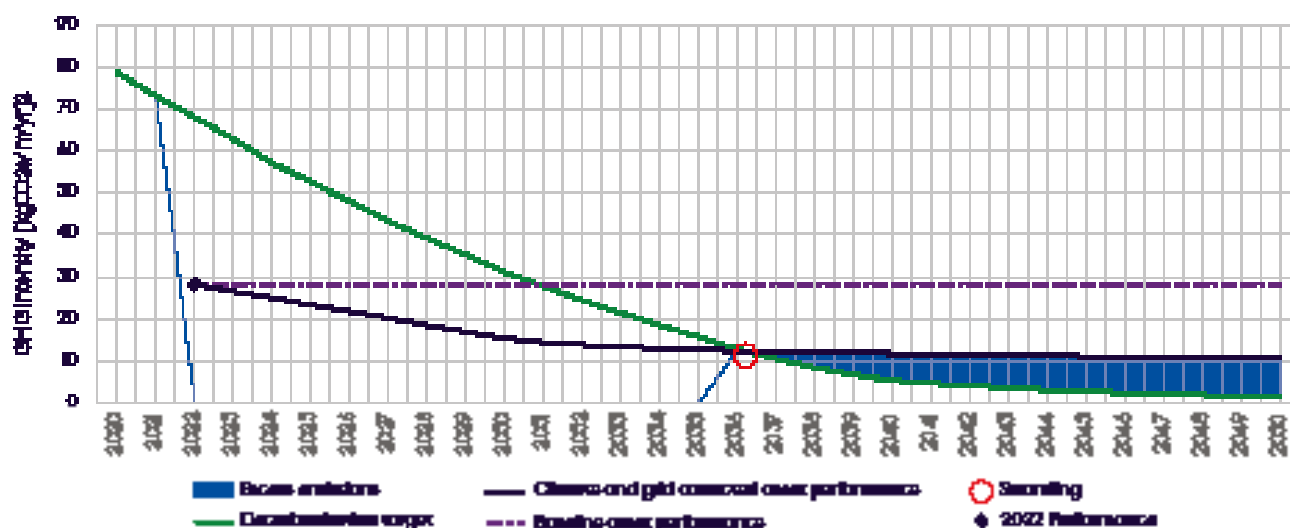
The Fund will need to conduct a retrofit program of its existing assets in order to reach its net zero target by 2040. To help with operator education and strategy development of the program, we published our first Green Refurbishment and Fit Out Guide and shared it with the Fund's operators. The guide outlines strategies for minimising operational carbon and water consumption, insights into adopting and integrating circular economy principles, and enhancements to health, well-being, and the natural environment.

Furthermore, we worked with Envision to develop the Fund's first EPC Improvement and De-carbonisation Plan on an asset. The report highlighted opportunities to improve the home's energy and operational carbon performance and to identify what physical measures are required to improve the EPC rating whilst de-carbonising the asset. During the assessment, it was highlighted that the carbon factor associated with electricity and electrically led systems had changed due to updates in the Approved Document Part L in June 2022. There were several proposed actions to decrease the asset's operational carbon emissions, including:

- Re-insulating the loft.
- Replacing the hot water and heating systems with ASHPs.
- Installing on-site solar panels.
- Converting the laundry from gas dryers to heat pump dryers.

Implementing these proposals would reduce annual carbon emissions from 125 tonnes per annum to 55 tonnes per annum and, with continued de-carbonisation of the electrical grid, would put the home on a path towards net zero by 2040. Using Carbon Risk Real Estate Monitor ("CRREM") Global Pathways, the asset would become stranded in 2037; therefore it has been agreed to take the findings of this analysis and apply this to other assets which are at higher risk and should be prioritised.¹

Current GHG intensity pathway



¹ UK GBC definition - Stranded asset: An asset which loses economic value well ahead of its anticipated useful life, whether that is a result of changes in legislation, market forces, disruptive innovation, societal norms, or environmental shock.

Operational emissions

Improving data quality and coverage

We continued to improve our understanding of assets' operational energy, water, and waste use by increasing the granularity of the portfolio's data coverage. Due to the expansion of emissions reporting, we also included, where available, the homes' F-Gas and EV Charging points usage data. By incorporating the new data, the Fund's emissions reporting becomes more precise and reflective of the homes' actual consumption. We will continue to work with our operators to streamline the data collection process.

Operator engagement

Our engagement with operators is critical to the net zero strategy. We conducted 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 split the assets into quintiles and identified weighted risk attributes of homes, such as physical climate risk score, EPC rating, BREEAM in Use, fuel type, stranding year, fuel use (kWh / filled bed) and electricity use (kWh / filled bed) and compared them against the anonymised portfolio. We also reviewed new technologies and solutions to help reduce utility bills by driving efficiency in consumption and better oversight of usage. The Manager received positive feedback from the operators, and several operators are considering the new technologies discussed.

Green leases

The Fund had a target for 95% of all leases to include green lease clauses by the end of 2023. This target wasn't met, with 49% of assets in the Fund having such clauses as of December 2023, however the Fund continues to work to increase this percentage, and all new assets entering the Fund include green lease clauses.

Electrification

In 2021, OHF funded the development of a state-of-the-art, 67-bed care home on a site previously occupied by a Bowling Club. However, the initial sustainability review, conducted against the Fund's Green Book standards, highlighted a significant issue: the building's reliance on gas for heating and hot water needed to align with the Fund's commitment to reach net zero by 2040.

Determined to create a model for low operational carbon care home design, the team collaborated with the developer and the Fund's sustainability consultants to reimagine the home's energy system. The system was completely redesigned, replacing the original gas-dependent setup with a fully electric system powered by ASHPs. This innovative solution brought the project in line with the Fund's sustainability goals. The Bowling Green was also preserved, and members were provided with a new clubhouse equipped with solar panels to power the new facilities.

Renewable energy

Over the past year, there has been a notable increase in operator renewable energy contracts, now accounting for 29% of our portfolio.¹ Renewable contracts are becoming key parts of the operators' sustainability strategy.

During the year we continued to have discussions with operators on the installation of PV, with several operators modelling potential site electricity from solar. There have been some technical challenges with installation such as roof type and shading from nearby trees. On the homes that have been modelled, and based on analysis undertaken on some of the portfolio, PV will generate an average of 30% of the annual electricity needed to power the homes. Installing PV is key to reaching the Fund's net zero target as it will decrease the home's carbon emissions.

Climate resilience

The Heat Map continues to identify and assess climate-related risks and opportunities in relation to each asset, both in terms of physical climate risk and transition risk. We continue with the 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 continues to help us 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 Taskforce for Climate-Related Disclosures ("TCFD").

In 2023, the Octopus Group joined OHF in setting forward-thinking, near-term science-based targets. This approach led to OHF redefining the Fund's base year to 2023. The Heat Map uses the CRREM outputs for each asset based on a 1.5-degree global warming scenario. The analysis captures the stranding risk for each asset, considering a CO₂ and energy intensity pathway and utilises other data sets.

Carbon offsetting

Offsetting is the last step of our decarbonisation strategy to reduce residual emissions and meet net-zero targets under Science Based Targets initiative (“SBTi”) guidance. Following the Oxford-based principles and mitigation hierarchy, residual emissions will be offset via high-quality carbon sequestration projects based in the UK. That meet the Integrity Council for the Voluntary Carbon Market standards. Buyers will be aligned with the Voluntary Carbon Market Initiative.

Biodiversity

The Fund will target for all newly developed assets that PC after 2025 to exceed the required 10% biodiversity net gain requirement. Over the course of the next year the contractors will be working with an ecologist to develop a strategy for improving biodiversity of existing assets.

Social value

The Fund aims to develop a Social Value Framework to measure and report on the social value created by all homes, alongside its existing theory of change and Impact Framework.

An example of social value is how Kori, the main contractors for Downham Market, support Swan **Youth Project** in aiding vulnerable children and families.

Swan Youth Project, the sole local youth service, addresses issues such as disability and important mental health problems.

Their support to date has included;

- Holding a vocational taster morning and careers talk for 10 young people, showcasing construction industry opportunities and pathways.
- Hosting site tours for 10 young people to learn about career opportunities and see development progress firsthand.

Through the Kori Community Fund, they have awarded grants to support local community projects:

- £1,000 to Little Gems, a toddler group, for new equipment.
- £1,038 to Swan Youth Project for new equipment for sessions aiding young people.

For Mental Health Awareness Week, Kori offered training sessions on managing anxiety, and later in the year, they’re hosting a Wellbeing Day with free CPR training, blood pressure monitoring, and wellbeing advice from the British Heart Foundation.



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	987
2021	No of assets	68	52 ²	51 ²	47	40
	Total consumption	8,228,860 ¹	40.4	3,092	175,414	1,073
2022	No of assets	79	67 ²	66 ²	52	48
	Total consumption	9,205,300 ¹	34.9	2,953	211,186 ³	1,475 ³
2023	No of assets	88	78 ²	76 ²	59	65
	Total consumption	10,404,298 ¹	34.6	2,734	249,032 ³	1,998 ³
% change 2023 vs 2022		13.0%	-0.7%	-7.4%	17.9% ³	35.5% ³

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

² Included are assets that were operational for a full 12 months and those with energy data for a full 12 months. The filled bed average does not include Darnton (2022 and 2023) and Preston (2023); these properties are sub-leased to the local NHS Foundation Trust.

³ Increased Water/Waste consumption levels reflective of more complete data provision by operators in 2022 and 2023.



Fund performance

GRESB

In the Standing Investment submission, OHF increased its GRESB score by 5 points, from 86/100 to 91/100. The Fund achieved its target and was awarded 5 stars for the first time, moving into the 5th quintile. This meant that OHF came 1st in its peer group, 3rd out of 34 within Healthcare Europe and outperformed the GRESB average of 75/100. The score was attained by increasing the points achieved in 'Performance' to 61/70 and maintaining full marks of 30/30 in 'Management'.

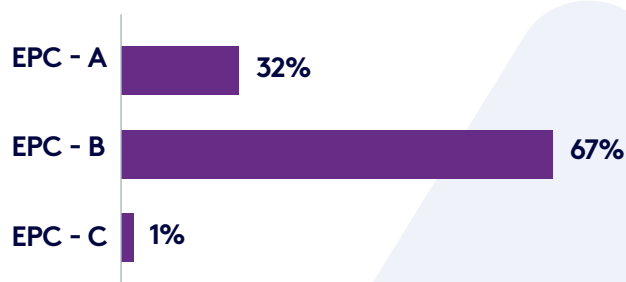
In the Development submission, OHF increased its score by 9 points, from 82/100 to 91/100 and was awarded 4 stars for the first time. For the first time OHF came 1st in its peer group scoring above the peer average of 68/100 and GRESB average of 83/100. Furthermore, OHF were awarded Regional Non-Listed Sector Leader and Regional Sector Leader in Development. The score was attained by increasing the points achieved in 'Development' to 61/70 and maintaining full marks of 30/30 in 'Management'.

The Fund exceeded its existing three-year EPC rating target of 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.

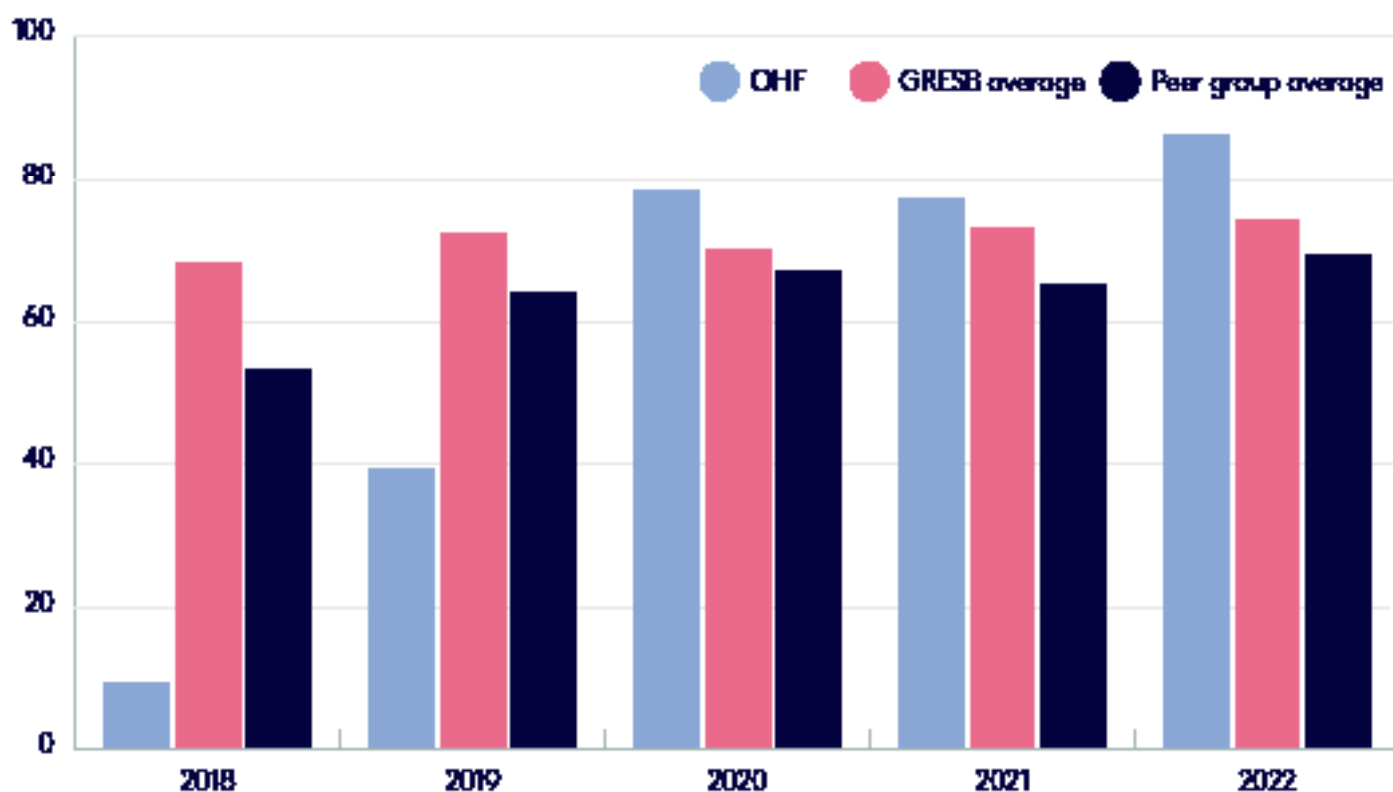
The Fund is 100% compliant with the Minimum Energy Efficiency Standard ("MEES"), which came into force in 2018 and is on track to comply with the more stringent requirements due to be introduced in 2030.

Asset accreditations

EPC Rating¹



OHF GRESB average score



¹ Calculations based on number of assets.

BREEAM In Use (Part 1)¹

The Fund has assessed assets in the portfolio against BiU. This programme of assessment has already been rolled out across the existing portfolio, of which the Manager 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.

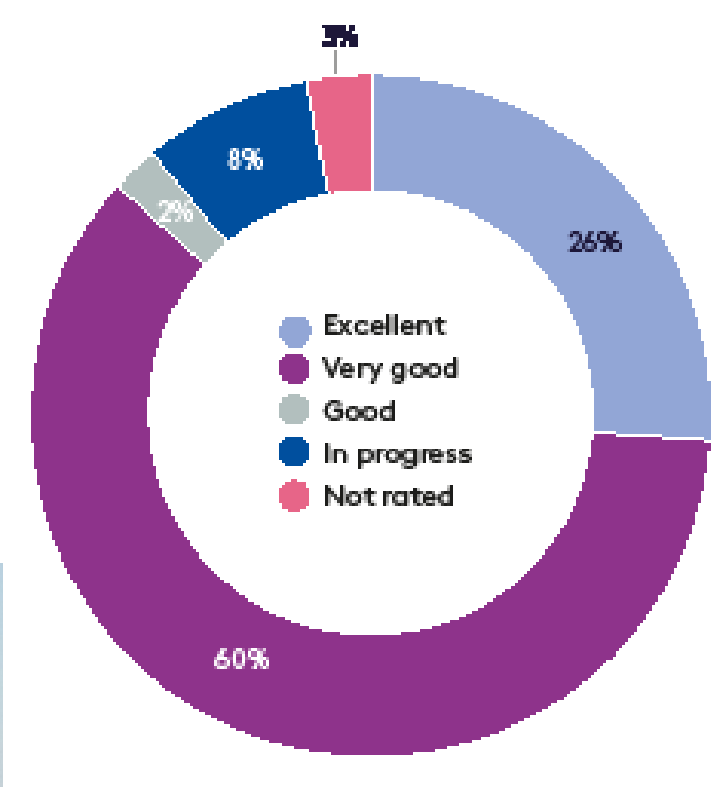
We’re also undertaking BiU assessments on all new assets entering the portfolio. This assessment collates critical information on the efficiency and sustainability of the assets, which is subsequently used on a portfolio scale to benchmark and identify priority assets through the Heat Map (see Climate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

The Fund achieved its target of 75% of assets rated as BiU ‘Very Good’ or better, and 10% have achieved a rating of ‘Excellent’.

BREEAM New Construction

The Fund met its BREEAM New Construction target: in 2023, all acquisitions pre-planning obtained a BREEAM New Construction rating.

The December 2023 BiU ratings for the portfolio are shown below.



¹ Calculations based on number of assets.

Disclosures

SFDR

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.

SDR

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

TCFD

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 continues to make TCFD-aligned disclosures.

UN PRI

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.

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



OHF ESG targets

Targets					
Description	End of 2023	End of 2025	End of 2030	End of 2040	Status as at December 2023
Net zero					
Operational emissions	All assets tracked against CRREM 1.5°C pathways	Align SBTi pathway with Octopus Group	A reduction in the portfolio's carbon emissions aligned with the Science Based Targets Initiative	A net zero carbon position by 2040 on all assets	100% GHGs coverage across the portfolio ¹ All assets tracked against CRREM 1.5°C pathways ²
Solar PV	Newly developed target	25% of homes in the portfolio to have solar photovoltaic panels installed	60% of homes in the portfolio to have solar photovoltaic panels installed	A net zero carbon position by 2040 on all assets	3% of homes in the portfolio have solar photovoltaic panels installed
Green tariffs	Newly developed target	25% of homes to have green energy tariffs in place	100% of homes to have green energy tariffs in place	100% of homes to have green energy tariffs in place	29% of homes have green energy tariffs in place
Electrification	Started on a retrofit programme	First 10 homes to be fully electrified and fossil fuel free	30% of homes in the portfolio to be fully electrified	A net zero carbon position by 2040 on all assets	1 home is fully electrified and fossil fuel free
Embodied carbon	Design agreed for net zero carbon home Embodied carbon (A1-A5 emissions) benchmark established for purpose built care home All new constructions to have embodied carbon assessment completed and compared against benchmark	No new developments to exceed the established embodied carbon target at practical completion	All newly developed assets will be net zero, with residual emissions offset via high quality carbon sequestration projects	To be determined	The planning application has been submitted and validated for net zero carbon home Embodied Carbon benchmark established for purpose built care home All new constructions have had embodied carbon assessments completed



¹ The 2023 data is as at 28 June 2024, and figures may change in subsequent reports as further data is collected.

² 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'.

OHF ESG targets

Targets					
Description	End of 2023	End of 2025	End of 2030	End of 2040	Status as at December 2023
Climate resilience					
Physical climate risk	Stranding analysis to be undertaken in line with CRREM and costed action plans put in place for 'high risk' properties stranding within 5 years	All assets to have a plan for physical climate related risks	Ensure all assets identified as having high physical climate risks have mitigation in place	To be determined	Stranding analysis undertaken in line with CRREM in heat map and 'High risk' properties identified
Transitional risk	Stranding analysis to be undertaken in line with CRREM and costed action plans put in place for 'high risk' properties stranding within 5 years	Fund has an established mechanism for mitigating identified transitional climate risks	To be determined	To be determined	Stranding analysis undertaken in line with CRREM in heat map and 'High risk' properties identified
Biodiversity net gain					
Biodiversity net gain	Newly developed target	All new developments that PC after 2025 to exceed 10% biodiversity net gain	To be determined	To be determined	Target developed at end of reporting period
Biodiversity	Newly developed target	Develop strategy for improving biodiversity of existing assets	To be determined	To be determined	Target developed at end of reporting period
Social value					
Social value framework	Newly developed target	Develop a social value framework fit for the future and report against this	To be determined	To be determined	Target developed at end of reporting period
Fund performance					
GRESB	Achieve a 5-star rating in the GRESB global community	Maintain a 5-star rating in the GRESB global community	To be determined	To be determined	GRESB Score (2023): 91/100 Peer Group Average: 79/100
Green leases	95% of all portfolio leases to contain green clauses	100% of all portfolio leases to contain green clauses	To be determined	To be determined	49% of all leases in the portfolio include green lease clauses
Data coverage	Accurate data coverage for 75% of assets Improve understanding of portfolio GHG data to 100% Develop an energy intensity metric per bedspace and publish a strategy for reducing intensity	Maintain 100% data coverage for energy & GHG, and increase accurate data coverage for water and waste to 75%. Develop and publish water and waste intensity targets	To be determined	To be determined	99% energy and 100% GHG data coverage across the portfolio (by Assets) ¹ Developed energy intensity metric per bedspace and published a strategy for reducing intensity

¹ The 2023 data is as at 28 June 2024, and figures may change in subsequent reports as further data is collected.

OHF ESG Targets

Targets					
Description	End of 2023	End of 2025	End of 2030	End of 2040	Status as at
Asset Assertions					
EPC Rating	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 a minimum of A rated	100% of assets to be B Rated (or higher) 80% of assets to be a minimum of A rated	To be determined	• 32% A Rated • 67% B Rated • 1% C Rated
BREEAM In Use (Part 1)	75% of the portfolio to obtain BiU Very Good (or better) 10% to achieve BiU Excellent	95% of the portfolio to obtain BiU Very Good (or better) 25% to achieve BiU Excellent. First Outstanding asset	Maintain same percentages of ratings under BiU V7	To be determined	78 assets certified to date. Of those assessed: • 26% Excellent • 60% Very Good • 2% Good • 8% In progress • 3% Not rated
BREEAM New Construction	From January 2023 75% all acquisitions pre planning to obtain BREEAM New Construction	All new developments that PC after 2025 to achieve a minimum BREEAM New Construction rating of Very Good, with 25% achieving Excellent	To be determined	To be determined	All acquisitions pre-planning have committed to undertaking BREEAM New Construction assessments
Governance					
Regulatory	Maintain and keep updated compliance requirements	Maintain and keep updated legal and regulatory compliance requirements	To be determined	To be determined	100% compliance
Disclosure and Reporting	All relevant KPI/Target data to be assured by an independent third party	Maintain the 2023 target of all relevant KPI/Target data to be assured by an independent third party	To be determined	To be determined	KPIs/Targets introduced effective 1 January 2021. Progress reported on at high level quarterly and in depth annually.
Training	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	Maintain the 2023 target of 100% of Octopus employees working on the Fund to continue to be trained on ESG 100% of the portfolio management and investment team working directly on the Fund to continue to have ESG targets and objectives	Maintain the 2023 target of 100% of Octopus employees working on the Fund to continue to be trained on ESG 100% of the portfolio management and investment team working directly on the Fund to continue to have ESG targets and objectives	To be determined	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
Policies	Newly developed target	Ensure that all developer/ operator partners have the below policies in place; Modern Slavery Policy, Health, Safety & Wellbeing Policy, Environmental Policy	To be determined	To be determined	Target developed at end of reporting period

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 ORE has not been involved in any ESG-related breaches that have resulted in fines or penalties during the previous plan period.

Verification statement

Envision has carried out an independent verification¹ 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 Guidelines², and verification of the GHG emissions reported, in accordance with ISO 14064-3.³

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 2023) and the ESG performance data is materially correct and a fair representation, prepared in accordance with ISO 14064-1⁴.

Simon Rainsford
Director, Envision
Sustainability Ltd
June 2024



¹ KPMG completed a separate verification of the Impact Report (www.octopus-capital.com/wp-content/).

² INREV Sustainability Reporting Guidelines, January 2023.

³ BS EN ISO 14064-3:2019 Greenhouse Gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions.

⁴ 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.

We are committed to Responsible Investment





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