Octopus Healthcare Fund: Sustainability-related Website Disclosures

1. Summary

Octopus AIF Management Limited (the "**Manager**") is the alternative investment fund manager of Octopus Healthcare Fund (the "**Fund**").

The Manager has prepared and provides the disclosures contained herein via its website in accordance with article 10(1) of the EU Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended and supplemented by the Commission Delegated Regulation (EU) 2022/1288 ("**SFDR**").

The Fund is a financial product that has sustainable investment as its objective pursuant to article 9 of the SFDR. In managing the Fund's portfolio, the Manager takes into account sustainability risks and the potential impact of such risks on the Fund's returns. The Manager carries out such activities with the assistance of Octopus Investments Limited (the "**Adviser**"), and through its delegate, IQ EQ Fund Services (Guernsey) Limited (the "**Trustee**"), that is responsible for portfolio management of the Fund. Responsible investment is an integral part of the Manager's investment processes and Octopus Investments seeks to integrate responsible investment considerations across all of its business activities and investment products. The Manager and the Adviser are subsidiaries of Octopus Group Holdings Ltd. and apply the Octopus Responsible Investment Policy and the Octopus Healthcare Fund Responsible Investment Policy ("**RI Policy**") which are specifically designed for the Manager and the Adviser when managing or advising with respect to the Fund's assets. Dedicated resources within Octopus Investments advise on responsible investments impact and sustainability strategy, support the Manager in conducting environmental, social and/or governance ("**ESG**") risk assessments and ongoing monitoring. The Manager also engages external advisers to support it in the evaluation and monitoring of ESG risks.

The ESG regulatory landscape (including the SFDR and Regulation 2020/852 of the European Parliament and of the Council of 18 June 2020 (the "**Taxonomy Regulation**")) is continually evolving. At present the applicable requirements of the SFDR and the Taxonomy Regulation are tailored and skewed towards environmental objectives and disclosures, with a lesser focus on social objectives. The disclosures and information contained herein therefore reflects the current regulatory requirements which are more environmental focussed, despite the Fund's focus on ESG and sustainability being more aligned to social objectives. As regulation on socially sustainable objectives develops, the requirements applicable to the Fund might change and the Manager is committed to complying with the regulations and obligations applicable to it as it knows them to be and will review any such requirements on an ongoing basis and update this document and its approach to its obligations as required.

The Manager (through the Trustee and the Adviser) undertakes a broad-based evaluation of ESG risks in determining the likely success of a potential investment over the long term. The Manager considers sustainability intrinsic to its business practices and an essential means of linking the long-term financial performance of investments with their environmental and social outcomes.

As part of its investment process, the Adviser seeks to: (i) identify and understand the relevant ESG risks related to a proposed investment, which are considered alongside other material risks; (ii) assess the scope for improvement of an investment's ESG credentials if an investment is to be made; and (iii) pursue active engagement on ESG considerations with key stakeholders once an investment has been made. As part of any investment process, ESG risks are discussed at the Octopus Capital's Real Estate Investment Committee (with respect to investment advice) and later at the Trustee's meetings for each proposed investment. ESG considerations form part of the preliminary and final investment advice and the Trustee's investment decision.

The investment performance of the Fund will depend on a range of economic and financial factors as well as ESG risks and opportunities which are specific to each investment's profile. The costs and reputational effects of ESG-related incidents can negatively impact the turnover and profitability of investee companies (such as developers and/or care home operators). Further, investee companies which do not adequately address sustainability risks may be less well positioned to succeed in the face of ESG-related challenges.

ESG risks can affect all known types of risk (for example, market risk, liquidity risk, counterparty risk and operational risk), and as a factor, contribute to the materiality of these risk types. The assessment of ESG risks is complex and often requires subjective judgements, which may be based on data, which is difficult to obtain, incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that the impact of ESG risks on the Fund's investments will be correctly assessed.

The integration of ESG risks into investment decisions may eliminate exposures found in other strategies or broad market benchmarks that may cause performance to diverge from the performance of these other strategies or market benchmarks. These effects may have an impact on the Fund's return.

The potential impact of these risks on returns of the Fund are mitigated by integrating the consideration of ESG risks into due diligence and decision-making process. By taking ESG risks into consideration during its investment decision making process, the intention of the Manager is to manage such ESG risks in a way that mitigates any material impact on the performance of the Fund. However, no assurance can be given that the Manager will be able to unequivocally avoid and/or mitigate the impact of ESG risks on the Fund at all times and losses may be incurred.

The Adviser takes into account ESG risks and other ESG factors as part of the investment process for the Fund and has developed a programme of sustainability and energy efficiency audits, including BREEAM New Construction and In Use Excellent and Very Good certifications for the purpose of monitoring the Fund's performance.

2. No Significant Harm to the Sustainable Investment Objective

While the investment mandate is aligned with social outcomes associated with providing quality care beds to support an ageing population, the Fund also actively seeks to ensure that the investments in the portfolio do not cause significant harm to any environmental or social sustainability objectives.

For each of the following environmental objectives appropriate care is taken to ensure that the overall impact of the Fund remains positive:

(a) Climate change mitigation:

- OHF Green Book (which defines a set of sustainability minimum and aspirational standards to be implemented across the Fund's investment portfolio, informed by the Manager's RI Policy and best practices for sustainable design and construction of healthcare buildings) is used to assess climate-related risks (physical and transition risks) within every investment. 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 Excellent rating (Forward Fundings only), 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;

- The Manager uses guidance from SASB (the Sustainability Accounting Standards Board) standards for 'Real Estate' to identify and mitigate financially material sustainability issues including factors caused by climate change;
- OHF TCFD document available on request for further details of the steps taken to measure, manage and mitigate climate change related risks and any impact of the Fund on climate change.

(b) Climate change adaption:

- The Manager conducts a program of asset-level analysis which combines actual metered energy data from each care home with the building attributes observed through site surveys. The portfolio heat map tracks these risks using CRREM (Carbon Risk Real Estate Monitor) outputs for each asset based on a 1.5-degree global warming scenario. Decarbonisation reports are produced to outline the potential decarbonisation interventions, their total cost, payback, ROI, operational cost, and kWh savings. These are shared with the tenants of the homes. Through a programme of sustainability and energy efficiency audits, including the BREEAM In Use Excellent certification and the EPC, assets' water and energy consumption is monitored.
- 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. Where the analysis identifies high risk, there will be an expectation for mitigation, including the Fund having a target to ensure climate-resilient action plans are implemented for 'high risk' properties.
- The OHF Heat Map monitors physical and transitional risks, including indicators of material transition risks such as 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 renewable energy solutions for installation. CRREM outputs assess market risks under a 1.5ºC scenario, and reputational risks are managed by reviewing investor due diligence and staying informed about sector shifts and preferences. On-site energy generation from photovoltaic panels is being maximised.
- Energy is purchased via a green tariff, where it is commercially viable to do so in accordance with the relevant contractual arrangements.
- Whole life carbon emissions (A–C) are being assessed for all development projects.

(c) The sustainable use and protection of water and marine resources:

- Measuring the degree to which water consumption and demand is minimised within a property;
- Additional indicators of good performance included in the Green Book:
    - Sites are located in areas of low risk from pluvial (surface water) flooding.
    - Sites located in a 'low' risk areas of water stress.
    - Automatic metering system for all energy and water consumption.
    - Water consumption monitored during construction and in use.
    - Sustainable drainage solutions are incorporated to manage surface water and achieve greenfield run-off rates.
    - Water efficient fittings in line with BREEAM In Use standards installed.
    - Rainwater or grey water is used for irrigation, and if feasible, toilet flushing.
    - Provision of water leak detection system and flow control devices.

    - Provision of water sub-metering connected to building management systems (“BMS”).
    - Annual operational water consumption recorded or estimated to be below 1.5m3/m2
- Requirement that all forward funded assets include automatic metering for all energy and water consumption, exclude the use of fossil fuels on site and achieve a minimum EPC A rating.

(d) Pollution prevention and control:
- Requirement that all new developments do not use fossil fuels onsite.
- Measuring the degree to which activities and processes within a property produce minimal pollution to the environment;
- Reduction of light and noise pollution in accordance with BREEAM In Use;
- Aiming to install EV charging points to all new developments and existing homes;
- Waste - Recognising the implementation of policies and systems to reduce waste production and improve levels of segregation and recycling through a dedicated waste recycling storage area.
- Additional indicators of good performance included in the Green Book:
    - Resource Management Plan produced, with commitments for 85% avoidance from landfill, and <6.5 tonnes of construction waste produced per 100m2 GIFA
    - Onsite composting facilities.

(e) The protection and restoration of biodiversity and ecosystems:
- Target to achieve over 10% Biodiversity Net Gain on new construction;
- Measuring the degree to which activities undertaken on the property site result in minimal impacts to the local environment;
- Inclusion when required of swift boxes, hedgehog houses, insect log piles and native tree planting ensure that sites achieve biodiversity net gain.
- Additional indicators of good performance included in the Green Book:
    - A high greenspace factor, with >30% of the site area given to green cover.
    - A Landscape and Ecology Management Plan has been developed for the site.

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 Manager, through Octopus Capital’s Real Estate Team and other service providers, conducts an annual GRESB Sustainability Benchmark assessment for the Fund. In addition, the Manager receives Care Quality Commission (CQC) reports and ratings, alongside assessments and oversight from the in-house Quality Assurance Team, to ensure robust clinical quality assurance.

In terms of Greenhouse Gas (GHG) emissions, the Fund measures, monitors, and reports on the Fund’s Scope 3 operational emissions.

The data is collected from the properties using Minimum software and is reported annually within the GRESB submission as emissions per tonne. Water, waste and refrigerant consumption is also measured, as well as the production of renewable energy onsite. All new construction projects must complete an embodied carbon assessment using One Click LCA. Upfront embodied emissions must fall below the Fund's target of 410 kg CO_2/m^2 GIA.

Octopus Group has had its science-based targets validated by the Science Based Targets initiative (SBTi). Octopus Group commits to reduce absolute Scope 1 and 2 greenhouse gas (GHG) emissions by 90% by 2030 from a 2023 base year. In addition, Octopus Group commits to reduce Scope 3 in-use operational GHG emissions of owned and leased buildings by 66% per m² by 2030 from a 2024 base year. This commitment includes the Fund. The Group also aims to achieve Net Zero across its operations and financed emissions by 2040 or sooner.

Within the asset acquisition process consideration of the impact on areas of high biodiversity and ecological value is considered.

The Manager undertakes an annual review of these indicators, which will be included in the Principle Adverse Impacts Statement, as relevant.

2.1 Consideration of the indicators for adverse impacts

While the data required to report on the principal adverse impacts of investment decisions on sustainability factors (the "**PAI**") under SFDR remains challenging to identify and to calculate, the Manager consider the PAI on an entity and product level in respect of the Fund, as further detailed in the Principal Adverse Impact Statement.

The Fund's focus on sustainability is more aligned to social objectives rather than environmental objectives. The Fund nevertheless considers the following indicators for adverse impacts on sustainability factors as applicable in the context of its investments:

(a) Climate and other environmental-related indicators: greenhouse gas emissions (GHG emissions, carbon footprint, GHG intensity of investments, exposure to companies active in the fossil fuel sector, share of non-renewable energy consumption and production, energy consumption intensity per high impact climate sector); biodiversity; water (emissions and hazardous and radioactive waste ratios);

(b) Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters: social and employee matters (violations and processes to monitor compliance with UNGC principles or OECD Guidelines for Multinational Enterprises, unadjusted gender pay gap, board gender diversity, exposure to controversial weapons);

(c) Indicators applicable to investments in real estate assets: fossil fuels; energy efficiency; greenhouse gas emissions; energy consumption; waste; resource consumption; biodiversity;

(d) Indicators applicable to investments / persons involved in the investments (such as developers or care home operators) / investee companies.

2.2 Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

The care and real estate sectors (like every other sector) could be subject to human rights abuse that needs to be mitigated and the Manager ensures appropriate due diligence is performed, and that human rights, equality and anti-bribery and corruption policies are in place for service providers alongside the Manager's own policies. This ensures that investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

This is primarily achieved by only working with suppliers who align to a supplier code of conduct.

Please refer to the Modern Slavery Statement: https://octopus-realestate.com/modern-slavery-act/.

To the extent the Fund operates or engages a third party to operate the care homes and healthcare facilities, this is considered as part of its due diligence into investments and ongoing engagement with operators.

3. Sustainable Investment Objective of the Financial Product

The Fund's objective is to create a diversified exposure to high quality UK Elderly Care Home and Specialist Healthcare real estate that contribute to increasing access to quality care for the elderly (and others with long term conditions). The funding of new, best-in-class care homes provides essential infrastructure required to support elderly residents across the UK today and in the future.

4. Investment Strategy

The Fund focusses on two components of the UK property healthcare market:

1. Elderly Care Homes – specialist care properties for the elderly, including care homes, nursing homes and homes for dementia patients; and
2. Specialist Healthcare – a range of specialist property healthcare sectors, which may include but will not be limited to specialist care, rehabilitation centres and accommodation relating to learning disabilities, mental health and acquired brain injury.

As part of the investment decision process, the Manager (through the Adviser and the Trustee) aims to ensure that all investments meet the minimum standards for design, construction and environmental performance. All investments must be used as Elderly Care Homes or Specialist Healthcare properties and each investment must achieve a minimum EPC A rating.

As part of the pre-investment due diligence process, the Octopus Capital's Real Estate Team in collaboration with external consultants will assess whether an investment and, where relevant, a care home operator, follows good governance practices. Every investment and person involved in an investment (such as a developer or care home operator) is assessed against key criteria on good governance, including:

(a) country specific governance risk;

(b) anti-money laundering;

(c) anti-bribery and corruption;

(d) governance related reputational risk;

(e) financial management (due diligence, checking accounts, considering how other homes relating to the investment or operator are performing);

(f) reviews of the investment team, quality team (including any regulatory inspections and reports), group structure and reporting systems for the investments and/or operators; and

(g) staff policies and employee remuneration practices.

This includes an Octopus Capital's Real Estate Team's representative typically visiting the property and meeting with the operator and providing: a review of the management and procedures around delivering care at the property; a review of the suitability of the building's design to deliver quality care effectively and efficiently; and an assessment of risk and governance within the operating entity.

As noted above, as part of the due diligence process, the Manager ensures that human rights, equality and anti-bribery and corruption policies are in place for service providers alongside the Manager's own policies so as to ensure that investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The Fund also aligns its principles with the UN Sustainability Development Goals. All new assets coming into the Fund include Green Lease clauses.

The Octopus Capital's Real Estate Team also seeks to obtain data from investments and operations on an ongoing and recurring basis, such as occupation data, information regarding financial performance, information on clinical and regulatory oversight, as well as oversight of management accounts on a quarterly basis data.

Upon completion, a 'Post-Completion Review' is undertaken to evaluate the success of the investment / development in meeting the requirements of the sustainability brief.

The Manager, through its ongoing monitoring of investments, has established mitigation mechanisms to address circumstances where an investment is no longer in line with the sustainability principles described in these disclosures during the investment period. In such situations, the Manager may evaluate the appropriateness of implementing an exit strategy, undertaking a reassessment process, or invoking an excuse mechanism, as appropriate, to remedy the situation and ensure continued alignment with the Fund's sustainability principles.

5. Proportion of Investments

100% of the Fund's investments are expected to be comprised of socially sustainable investments on the basis that all investments are made in accordance with the investment restrictions set out in the Fund Instrument. In particular, it is anticipated that:

(a) At least 75% of the Fund's GAV (measured at the time that the Fund contractually commits to acquire an investment based on the last available GAV calculation on the last GAV Calculation Date) will be invested in Elderly Care Homes that are socially sustainable investments; and

(b) No more than 25% of the Fund's GAV will be invested in Specialist Healthcare that are socially sustainable investments.

6. Monitoring of Sustainable Investment Objective

The Octopus Capital's Real Estate Team have developed a formal Impact Framework for the Fund that: (a) defines the social impact associated with the Fund's investments by reference to the IRIS+ metrics; (b) embeds impact management within the investment management process; (c) is aligned with the GIIN's Operating Principles for Impact Management ("**Impact Principles**"); and (d) demonstrates how the delivery of social impact from the Fund's investments aligns fully with the investment objectives. The Octopus Capital's Real Estate Team prepares quarterly reports on the KPIs set out in the Impact Framework, and delivers an annual, Impact Alignment Statement under the Impact Principles.

The Manager (through the Octopus Capital's Real Estate Team) uses the following KPIs to measure the attainment of the Fund's social investment objective (based on data provided by Carterwood):

(a) number of quality care beds in the portfolio as % of all UK care beds;

(b) number of new quality care beds funded by the Fund as % of all new care beds delivered in the UK in the relevant period; and

(c) number of new quality care beds funded by the Fund as % of UK shortfall of quality care beds.

Through a programme of sustainability and energy efficiency audits, including BREEAM New Construction and In Use Excellent certifications, the Octopus Capital's Real Estate Team monitors how the Fund is managed in line with ESG Principles and engages monitoring surveyors during build stage. The Octopus Capital's Real Estate Team has also implemented a tenant engagement programme in order to improve the ESG related performance of the investments.

The Manager (through the Octopus Capital's Real Estate Team and other service providers) undertakes an annual GRESB certification for the Fund's assets and receives the Care Quality Commission reports and rating together with the in-house Quality Assurance Team's assessment and oversight strategies to provide clinical quality assurance. In terms of Greenhouse Gas (GHG) emissions, the Fund measures, monitors, and reports on the Fund's Scope 3 operational emissions. The data is collected from the properties using Minimum software and is reported annually within the GRESB submission as emissions per tonne. Minimum software is also used to collect water, waste and refrigerant consumption and production of renewable energy onsite.

The Manager considers the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (as further detailed above in respect of the Manager's due diligence processes). The Fund regularly engages with operators which themselves are operating in a regulated industry. To the best of the Manager and the Fund's knowledge none of the operators are engaged in any violations of these principles.

Following investment, the Manager (through the Octopus Capital's Real Estate Team or other service providers) requests information from tenants in order to identify areas that can improved.

7. Methodologies

The Manager uses a range of methodologies to measure and monitor the Fund's attainment of the sustainability objective and how the sustainability indicators noted above are used, including:

(a) RI Policy;

(b) OHF Green Book;

(c) SASB (Sustainability Accounting Standards Board);

(d) IRIS+ (impact reporting and investment standards);

(e) Impact Principles (Operating Principles for Impact Management); and

(f) Responsible Investment Tool ("**RI Tool**") which ensures compliance with the RI Policy.

8. Data sources and processing

The Manager uses, among others, the annual GRESB sustainability benchmark, BREEAM In Use Excellent assessment, Minimum software, quarterly reports on KPIs, Carterwood reports, sustainability and energy efficiency audits, tenant engagement programme, a RI Tool and climate resilience a heat map (which identifies and assesses climate-related risks and opportunities in relation to each asset / investment across specific metrics).

The Fund engages with Envision, external sustainability consultants, who provide data verification and assurance.

Going forwards, it is anticipated that estimates will not be required but may be used if there is a shortfall in the data available (and, if applicable, this will be disclosed to investors).

9. Limitations to methodologies and data

The Fund seeks to obtain as much data as possible in respect of the portfolio (for example, each investment's energy, water and waste data), however it is not always possible to obtain data for the entirety of the portfolio. On the basis that the Fund's focus on sustainability is more aligned to social objectives rather than environmental objectives, the assessment of ESG risks is complex and often requires subjective judgements, which may be based on data that is difficult to obtain, incomplete, estimated, averaged, out of date or otherwise materially inaccurate.

Even when identified, there can be no guarantee that the impact of ESG risks on the Fund's investments will be correctly assessed.

The Manager considers the PAI in respect of the Fund; however, the data required to report on PAI under the SFDR remains difficult to obtain and calculate. This may be due to the limited availability and inconsistent quality of data from portfolio companies and third-party data providers. Many investee companies do not currently disclose all of the information required under SFDR, and where data is available, it may not be reported in a standardised or comparable format. In addition, the criteria for calculating PAI are not always uniform and often need to be adapted to reflect market practice and the specific circumstances of each investment. As a result, the Manager may face challenges in ensuring the completeness, accuracy, and timeliness of the data necessary for comprehensive PAI reporting.

10. Due diligence

ESG risks are considered during the initial due diligence in respect of an investment opportunity, including considerations of sector-specific and geography-specific ESG risks.

Any new investment must also be aligned with Octopus Investments' ethical principles (which covers breaches of applicable planning laws, human rights abuse, unsatisfactory clinical or working conditions, bribery and corruption). Sustainability assessments are carried out by external consultants in collaboration with the Octopus Capital's Real Estate Team, as part of the due diligence process and the contractual funding agreement. This information is also included in the Octopus Capital's Real Estate Investment Committee memorandum, which is considered by the Trustee (as delegate portfolio manager to the AIFM) prior to an investment being made.

Please refer to the sections titled "Investment Strategy" and "Monitoring of sustainability investment objective" above for further details of the Manager's due diligence processes.

11. Engagement policies

The Fund's investment strategy is not to hold listed companies, so 'engagement' is not applicable.

However, as noted above, the Manager and the Adviser are members of Octopus Investments and apply the RI Policy when engaging with the management of assets and investments and with any third party service providers to such assets and their management.

12. Attainment of the sustainable investment objective

Not applicable.

January 2026