

Octopus Energy Generation

Responsible Investment Policy

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This Responsible Investment (RI) policy, which is regularly reviewed, outlines the approach of the Fund Management team within Octopus Energy Generation (“OEGEN”, “us” or “we”) to Responsible Investment.

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INTRODUCTION

Octopus Energy Generation has a core mission to accelerate the transition to a future powered by renewable energy. OEGEN is a London based, specialist renewable energy fund manager, investing in operating and construction assets, development projects, developers and broader projects and companies relating to energy transition. OEGEN is a responsible investor and manages investments on behalf of investors by working with outsourcers, contractors and suppliers globally, with a focus in the UK and Europe. We want to change the world for the better and strive to do business the “right” way.

For us this means:

Living by our core values

- Investing into assets that significantly contribute to our core mission of accelerating the transition to a more sustainable future
- Engaging with our third-party service providers, investors, policy makers and others in line with our beliefs
- Building a culture where people ‘do the right thing, even when no one is watching’

Mitigating environmental, social and governance (ESG) risks

- Implementing a robust ESG framework to consider a wide range of stakeholders and ESG risk factors into our investment processes, asset management and reporting
- Protecting and enhancing the value of our clients’ investments as part of our fiduciary duty

Managing Impact

- Bringing to life the impact that OEGEN and the funds that we manage, have on the world through effective reporting
- Developing ‘impact funds’ that target a specific impact objective

This RI policy sets out the approach taken by Octopus Energy Generation to advance its core mission the “right way” identifying OEGEN’s ESG risk management framework and reporting and governance approaches. It should be read in conjunction with our stewardship and engagement policy as it is our belief that effective stewardship is an important part of being a responsible investor.

ESG RISK MANAGEMENT FRAMEWORK

Octopus Energy Generation defines ESG as a vital risk management approach to identify and mitigate a range of potential issues to protect and enhance the long-term value of our investments.

To manage ESG risk factors we apply one, or more, of four key principles:

- **Avoid:** Informed decision not to become involved with a risk. E.g. decline investments with significant ESG risks identified during due diligence;
- **Transfer:** Shift the risk to someone else, e.g. insuring, or contractual guarantees;
- **Mitigate:** Appropriate policies, processes, procedures to reduce either the likelihood of an occurrence or its consequence or both; and
- **Accept:** Informed decision to accept risk or the residual risk having considered the above potential impacts.

Our ESG risk management framework is supported by ESG processes that have been integrated into investment and asset management processes.

ESG risks are considered in all stages of investing in renewable energy assets or other portfolio companies. The OEGEN investments team is required to complete an ESG matrix as part of the investment committee paper submitted to the Investment Committee. This is at “Approval in Principle” (pre-investment screening), as well as at Final Investment Committee and Pre-Completion. The ESG matrix is a tool used to drive interaction and warrant additional investigation into ESG risks where necessary. The questions assess indicators that would indicate presence or absence of an ESG risk or opportunity. These indicators include those relating to environmental damage (environmental impact assessment, habitat management plans, resource minimisation strategies), carbon reduction and measuring, policies (anti-bribery, corruption, modern slavery, DE&I), unfair advantage and community relations (engagement and community benefit initiatives). This ensures ESG risks are identified and mitigated as soon as possible. The matrix has a total possible score of 15, with a score of 9 required to indicated compliance with ESG Policy. Materiality of risks included in our ESG matrix is determined using guidance from the Sustainability Accounting Standards Board (SASB) framework, that identifies financially material ESG risks by asset class. The ESG matrix questions are also determined by opportunity type, with matrix adapting its questions dependent on whether the opportunity is an infrastructure investment, a development opportunity or an equity investment into a company. This ensures that relevant ESG risk factors are assessed. Once an investment has successfully reached the post-completion stage, our Asset Management onboarding process picks up any residual ESG risks and this forms part of integration (100 day) plans.

Continued ESG risk management during asset management is achieved through an annual ESG review of material third party service providers and portfolio companies alongside HSE and quality reviews. This ensures that strategies to mitigate any new ESG risks are put in place in a timely manner and reviewed appropriately.

The key risks considered during these processes are outlined in the table below. The table separates the key ESG risks into one of our three stakeholder groups and the approach of mitigation by infrastructure and portfolio companies. Each stakeholder group has a general risk objective:

- **Performance:** Mitigate the risk of losses through robust governance structures, rigorous due diligence, risk analysis and asset optimisation activities to deliver investment return resilience.
- **Planet:** Consider environmental factors to mitigate risks associated with the construction and operation of assets, enhancing environmental potential where possible.
- **People:** Evaluate social considerations to mitigate risks and promote a 'Just Transition' to clean energy.

Whilst these risks have been identified as potentially material to the assets and portfolio companies that Octopus Energy Generation manages, we believe there is no 'one size fits all' approach to ESG. Different funds and investors have different appetites for ESG matters and different investment products have exposure to different opportunities and risks associated with ESG. To accommodate this, each Octopus managed Fund has a bespoke ESG policy. The Octopus Energy Generation ESG team is continuously monitoring best practices in the industry as well as researching potential future changes in these ESG risk factors.

Findings are shared internally and incorporated in policy and asset management plans, as appropriate.

Performance

Risk	Principle and Mitigation Objective
<p>Political and Regulatory Risks: These relate to exposure to changes in tax legislation and/or government subsidies/PPA contracts which could have a material impact on long term forecastable returns. Also includes risks associated with a project or asset achieving any permit, license, or authorisation through undue process, for example bribery and/or corruption.</p>	<p>We will carry out all appropriate due diligence to ensure that political and regulatory risks are considered, especially for new markets, throughout the investment process.</p> <p>We comply with all applicable laws and respect international good practice and ensure appropriate due diligence on our counterparties and portfolio companies is undertaken to confirm that they apply to all applicable laws.</p> <ul style="list-style-type: none"> • We will uphold high standards of business integrity and honesty. • We will act in good faith, albeit enforcing contracts robustly where necessary to protect shareholders, employees, the community, or the environment. <p>We will not directly or indirectly offer, pay, solicit, or accept bribes in any form and have put in place an anti-bribery policy and annual staff training.</p>
<p>Conflict of interest risk: These could occur at an individual, asset or portfolio level in the acquisition and ongoing management of the renewable investments or at a portfolio company level and is mitigated to protect interest of investors to the maximum extent reasonably possible.</p>	<p>We will adhere to our robust conflicts management process that is documented in the Octopus Conflicts Policy.</p> <p>We will encourage our portfolio companies and developers to adopt their own conflicts management process.</p>
<p>Climate Change Resilience: The energy sector is exposed to the physical impact of climate change through its infrastructure, and to the transition risks associated with government intervention in the renewable energy sector and the corporate transition to a lower carbon economy.</p>	<p>Octopus Energy Generation considers exposure to climate change risk and will seek to assess the materiality of the exposure of infrastructure or portfolio companies using guidance from the Taskforce of Climate Related Disclosures (TCFD).</p> <p>We will encourage the consideration of climate change risks at a portfolio company/developer level, sharing learnings and tools used by OEGEN where appropriate.</p>

Planet

Risk	Principle and Mitigation Objective
<p>Biodiversity Cost (Environmental Damage Risk): The impact on biodiversity spans the construction and operation of renewable infrastructure and efforts to reduce this impact should be considered within the investment process with impacts mitigated or netted off where appropriate. Environmental impact of other investee companies should also be considered. Negative biodiversity impact is also a risk as it can affect community relations..</p>	<p>Renewable energy sites and other transition infrastructure present a key opportunity to create a web of biodiversity hubs throughout the world. We recognise that this infrastructure often depends on ecosystem services and can adversely impact biodiversity and ecosystems. Therefore, we consider the impact of any potential projects or operations on the environment, mitigating potential adverse effects and enhancing biodiversity value where possible:</p> <ul style="list-style-type: none"> • We will assess the impact of operating on the environment, contracting our outsourcers or portfolio companies to comply with all planning and development conditions. • We will ensure necessary environmental studies to assess the potential impacts of projects that are required for permitting are carried out. <p>We will consider opportunities for additional environmental protection/enhancement and where possible include initiatives to build these into the ongoing site management or portfolio company strategies. We will focus on projects where there is robust local support for such issues.</p>
<p>Carbon Emissions (Environment damage risk): The construction phase of renewable infrastructure development in particular is highly carbon intensive and it is essential that the manager discloses information surrounding emissions and mitigation policies.</p>	<p>Mitigating climate change is an integral part of our core mission and our core business. Renewable Energy has emerged as key to the transition away from a carbon-intensive economy. We acknowledge the importance of the sustainable use of natural resources and the protection of the environment.</p> <ul style="list-style-type: none"> • We will consider opportunities for carbon reduction initiatives and, where possible, build these into ongoing site management strategies. <p>We will encourage the implementation of carbon measurement and reduction initiatives at a portfolio company/developer level.</p>
<p>Pollution (Environmental Damage Risk): The risk that the portfolio generates, or is exposed to pollution through the materials and processes involved in the supply chain of renewable infrastructure, mitigation and management will be driven throughs supplier selection.</p>	<p>We recognise the potential adverse effects of our activities and will seek to mitigate and reduce supply chain pollution through supplier selection and engagement.</p> <ul style="list-style-type: none"> • Implement social and environmental policies and procedures at an OEGEN and at a portfolio company level which enable identification, management and monitoring of any risks/opportunities provides a framework for action. • We will review contracted outsourcers and portfolio company environmental policies and ways of working. • Where appropriate, we will seek to collaboratively develop goals, plans and trajectories for achieving them with associated KPIs, and report against them annually.

People

Risk	Principle and Mitigation Objective
<p>Health and Safety of Workforce: Working on renewable infrastructure is inherently hazardous. This means that the portfolio is exposed to reputational risk if accidents were to occur and to the risk of increased insurance costs and operational downtime which add to the costs of operating the assets.</p>	<p>We will provide safe and healthy working conditions for employees and contractors:</p> <ul style="list-style-type: none"> • We have a well-established Asset Management team that ensures we use a risk management approach that helps us identify and prioritise key H&S risks across our infrastructure and portfolio company portfolio, in line with OEGEN's Health and Safety Policy. The Head of Asset Management, Directors, specialist HSE consultants and Head of H&S oversee this. • We only work with competent partners who share our values regarding health and safety. Counterparties and portfolio companies are expected to maintain their own safety standards and assess subcontractors for competence and compliance. • All employees and contractors are aware of their Health and Safety responsibilities. • We investigate incidents and share lessons learned with the wider team to prevent recurrences in the future. • Incidents and high potential near misses will be reported through Board and SteerCo processes. • We are committed to creating a psychologically safe workplace in which everyone feels comfortable sharing ideas, asking questions, or expressing concerns. • We will encourage whistleblowing and maintain open communication channels between employees/contractors/investee companies and management. We have put in place a whistleblowing policy.
<p>Unfair Advantage: The risk that the commercial terms relevant to the development, construction or operation of assets take unfair advantage of counterparties, for example through mis-selling.</p>	<p>We will consider all the stakeholders when making investment decisions and during procurement processes.</p> <ul style="list-style-type: none"> • Consider the distribution of the benefits from the investment to all relevant counterparties. • We will seek to ensure that potential suppliers and tenderers are dealt with fairly and in a non-discriminatory manner. <p>We will carry out appropriate measures to establish a level playing field when we are overseeing procurement of third-party service providers.</p>

<p>Community Relations: Projects are exposed to project development delay risk or licence to operate risk if they meet opposition from the community. Positive engagement with communities and efforts to address community impact can mitigate these risks.</p>	<p>We will consider the impact of any operations on local communities, mitigating potential adverse effects:</p> <ul style="list-style-type: none"> • We will work with our outsourcers and portfolio companies to engage with local communities to assess, monitor and address, where possible, social and community impacts. • We will consider ways to share some of the benefit of the operation with local communities. • We will encourage, where possible, local employment by our contractors and portfolio companies. • We will seek a 'just transition' for workers and communities as the world's economy responds to climate change.
<p>Human Rights in Supply Chain: The renewables sector (like every other sector) is subject to human rights abuse that needs to be mitigated. This exposes the portfolio to reputational risk as well as risk of fines if supply chains do not meet labour standards.</p>	<p>We will promote fair treatment of all employees, irrespective of matters such as race, gender, nationality, disability, political or religious beliefs:</p> <ul style="list-style-type: none"> • We will seek to avoid the risk of indirectly supporting modern slavery or human rights abuses and have put in place OEGEN's equal opportunities, modern slavery and solar panel procurement policies. • We mandate that the Tier 1 suppliers, contractors and our portfolio companies implement effective strategies and that these include their supply chain. • We encourage adherence to OEGEN's supplier code of conduct (whose standards are in line with international labour standards), or request that the supplier, contractors, and portfolio companies adhere to their own supplier code of conduct that is equally robust. • Where possible we require the identification and prior approval of the supply chain to the contract terms. • We will encourage the creation of a diverse, equitable and inclusive workplace in the portfolio companies.

Reporting and Governance

Octopus Energy Generation is conscious of “impact washing” and therefore commits to transparency and accountability in how the impact of our renewable energy investments and associated initiatives are presented.

We measure progress against our core mission - to accelerate the transition to a future powered by renewable energy - through ESG KPIs. Typical ESG KPIs for our infrastructure assets include amount of renewable energy generated, equivalent homes powered, equivalent tonnes of carbon dioxide avoided, equivalent number of cars displaced from the road, equivalent number of trees planted. Typical ESG KPIs for our portfolio companies also include climate action related KPIs, e.g. GW of development pipeline. Other, more social KPIs, such as jobs created or % local workforce are also disclosed for these types of equity investments, to help give an indication on how the investments are supporting a “Just Transition”.

Impact delivered through Performance, Planet and People impact initiatives is measured through qualitative case studies and quantitative metrics alongside any contributions to the UN SDGs. These case studies use a framework adapted from the Impact Management Project’s “Five dimensions of Impact” helping to bring the positive impact created to life for investors.

We support the TCFD and EU Taxonomy and seek to align with these frameworks when reporting. We also take guidance from GIIN (ICS and IRIS) alongside SASB to support our ESG and Impact management systems.

Octopus Energy Generation is a signatory of the UN PRI.

Climate Change

Tackling Climate Change is an integral part of our core mission and business. Through investments into the renewable energy and transition sector Octopus Energy Generation is helping to accelerate the transition to a sustainable future. We support the Paris Agreement and we’re integrating TCFD guidance to assist us with understanding our exposure and developing resilience to climate-related risks.

Firm Exclusions

Octopus Energy Generation is a specialist renewable energy investment manager and so, by default, will not manage assets or products deriving a significant source of revenue from:

- gambling;
- pornography;
- fossil fuel mining or drilling;
- animal testing and battery farming;
- production of or trade in arms, i.e. weapons, munitions or nuclear products, primarily designed or primarily designated for military purposes; or
- tobacco or tobacco related products.

Related Practices

In addition to this policy, we have several policies and processes that support our commitment to ESG matters, including an equal opportunities policy, a modern slavery policy, a whistleblowing policy, and a conflicts policy.