

# Octopus Energy Generation Engagement and Stewardship Policy

June 2023

Octopus Energy Generation (“OEGEN”) is a trading name of Octopus Renewables Limited (“ORL”), which is authorised and regulated by the Financial Conduct Authority under Firm Reference Number 473797. ORL is a wholly owned subsidiary of Octopus Energy Group Limited (“OEG”) and is part of the Octopus Energy Generation business within OEG.



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## Document control

### Frequency of Review

The Octopus Energy Generation Engagement and Stewardship Policy (Policy) should be updated whenever there are material updates to any practices contained in the policy but in no case less frequently than on an annual basis.

### Approved by

Name: Laura Halstead

Title: Head of Funds and Sustainability

Date: June 2023

A handwritten signature in black ink, appearing to read 'L Halstead', with a stylized flourish underneath.

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# Engagement and Stewardship Policy

## Introduction

Octopus Energy Generation (herein referred to as “OEGEN”) is a specialist energy investor that believes that effective stewardship is an important part of being a responsible investor. Our definition of stewardship is in line with the UK Stewardship Code 2020: “Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.”

In many cases, OEGEN has direct control of the assets under management through 100% ownership enabling full control and decision making for those investments. OEGEN assets under management also includes minority stakes in companies and development platforms. Effective stewardship for these types of investments will enable us to continue to gain additional understanding of material topics and, when relevant and possible, drive change that will enhance shareholder value and the value of our assets over time the way we would if we had direct control over the assets. Regardless of ownership %, it is our aim to fully engage in all of the investments OEGEN makes in renewable energy and energy transition technologies.

## Policy Scope

This policy outlines OEGEN stewardship and engagement approach both with respect to majority and minority holding assets across all geographies and asset classes. Whilst OEGEN are not a formal signatory given the nature of our investments, this policy has been developed considering the principles set out in the UK Stewardship Code 2020. This Stewardship Policy is reviewed annually and signed off by the Head of Funds and Sustainability who has responsibility for the ESG and Impact approach and strategy within the OEGEN leadership team and is a member of the ORL Board.

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# Purpose and Governance

## What engagement and stewardship means to us

OEGEN is a responsible investor which integrates principles of responsible investing across all of its assets. OEGEN is values driven and this philosophy is embedded in our culture, approach and the assets we manage. The team was set up in 2010 based on the belief that investors can play a vital role in helping to avert climate change and it is our mission to accelerate the transition to a world powered by clean energy. However, it is not enough to just invest in the right things like wind and solar farms to accelerate the transition to net zero. The way we invest and manage our assets is equally important to ensure that we invest responsibly and create sustainable benefits for our investors, the environment and society.

That is why OEGEN places environmental, social and governance ("ESG") matters at the core of our investment business. Unlike some fund managers who might look at a very simple screening process to eliminate ESG risk (such as, no investment in fossil fuels/arms/tobacco), good governance and ESG are very much ingrained in the way we seek to originate and execute investments. OEGEN has developed a bespoke ESG and Impact strategy and the approach we take is based around three fundamental stakeholder lenses: Performance, Planet and People. Our approach is embedded within diligence processes, investment and exit requirements as well as in ongoing portfolio and asset management. For us ESG is a prudent risk management tool that improves the financial performance of our investments while reducing risks, ensuring that we "do no harm" to the environment and society. It is our aim to enhance where possible the positive impact that our investments have on people and the planet, using our influence and control to manage those investments "better". Active stewardship and engaging with the different stakeholders is necessary for our investments, and therefore our own business, to perform.

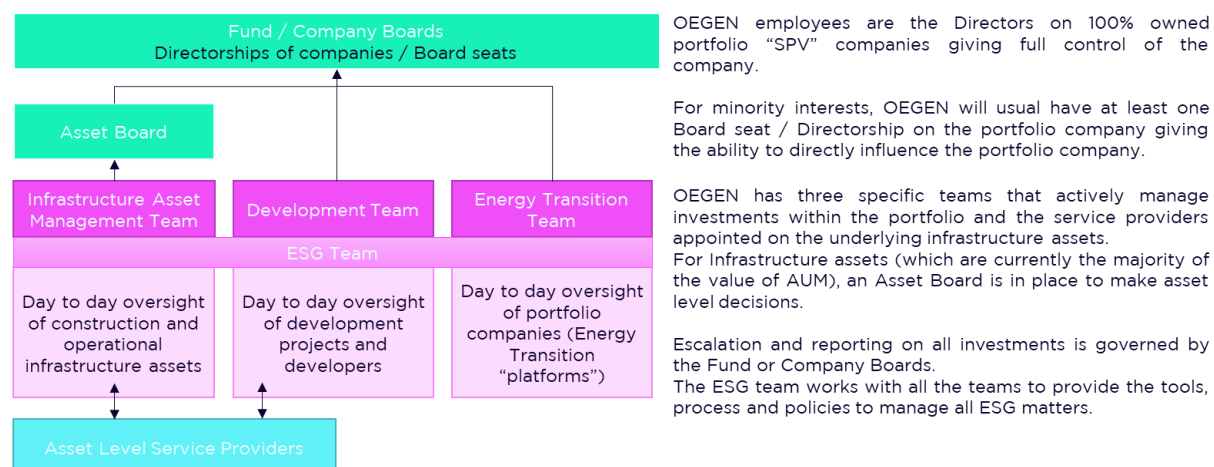
More information on OEGEN's Responsible Investment Policy can be found here: [Responsible Investment Policy](#)

## How our governance framework embeds engagement and stewardship

OEGEN is an active investor in either real infrastructure assets or directly into privately held investee companies related to developing or managing renewable energy or energy transition technologies. Due to the nature of the investments made, more traditional engagement or voting policies associated with holding publicly listed shares are not relevant for our investments. Stewardship responsibilities are borne by a number of OEGEN employees including members from the Asset Management Team, Development Team, Energy Transition Team, ESG team and Directors and these teams are consulted across different themes including strategy, financial and non-financial performance, risk, asset management, third party service providers engagement.

The majority of OEGEN renewable energy assets under management are wholly owned subsidiaries of the investing fund. It is usual that where Investee Companies are fully owned subsidiaries, directorship services are provided by OEGEN ensuring consistency in governance and in the application of the policies which applies to Investee Companies. All OEGEN employees that are appointed as directors receive director training to support their role. All appointments are made at the appropriate level of seniority so that those individuals can utilise their experience for the benefit of the investment. Directors are supported by the specialist teams within the business including the asset management team, development team, energy transition team and ESG team who report to the Fund/Customer Boards. There are no voting matters to report on as OEGEN actively manages and make decisions as directors of the Investee Companies and these decisions are taken at Fund /

Company Boards. OEGEN directly controls the Investee Companies' strategy, financial and non-financial performance and risk, capital structures, social and environmental impact and corporate governance as well as appointment of 3rd party operators of the assets who are actively engaged with to ensure appropriate decision-making oversight. Conflicts of interest are governed by our Conflicts of Interest policy.



OEGEN work with a range of external service providers to manage the portfolio of investments, for example construction managers, operations and maintenance providers, and external asset managers. To address any adverse impacts on a continuous basis, OEGEN actively engage with service providers, provide decision making oversight and carry out service reviews on each material third-party service provider and this includes reviewing policies. Where service providers fail to meet the standards set, particularly with regard to HSE, OEGEN will use its contractual rights to first look to improve the service provision, and if that is unsuccessful, terminate the service provider.

In circumstances where the fund does not hold a controlling interest in the relevant Investee Company, OEGEN will secure shareholder rights through contractual and other arrangements, to, inter alia, ensure that the renewable energy asset is operated and managed in a manner that is consistent with the fund's investment and ESG Policy. In this case, OEGEN will always take up Board seats and attend Board meetings. Regular reporting data is provided to the Fund Boards on investee performance, including any environmental or social issues or risks. We will directly use our influence to monitor and support investee companies on relevant matters including strategy, financial and non-financial performance and risk, capital structuring and social and environmental impact. We will look to galvanise other shareholders in line with our ESG Policies.

## Incentives

OEGEN has in place a Remuneration policy. The aim of this policy is to ensure that remuneration arrangements at OEGEN reward employees appropriately, but also promote sound and effective risk management. In particular, the remuneration arrangements aim to avoid excessive risk-taking, (either on behalf of OEGEN, or on behalf of any funds/portfolios it manages for customers). It is also designed to ensure that, when taking decisions about remuneration, the impact of reward arrangements on OEGENs' long-term sustainability are considered.

The remuneration approach is based on the following key principles:

- that remuneration structures drive ethical behaviour of employees;

- remuneration programmes should drive both business results and desired behaviours which, overall, aim to align the interests of individual employees with the long-term interests of OEGEN and its customers;
- the remuneration structure must avoid incentives that would encourage employees to take unnecessary and/or excessive risks;
- drive sustainability of OEGEN and align remuneration with corporate results and individual performance; and
- to retain and develop key talent at all levels of the organisation.

OEGEN aims to deliver total remuneration at a level that is aligned to the market for each individual role. Remuneration is made up of a combination of four broad components: Basic Salary, Discretionary Bonus, Equity Options and for senior staff, Long-Term Incentive Plans. Equity Options and LTIPs are subject to a 2-4 year vesting period and a 7-year clawback. The purpose is to align the interests of senior employees with the long-term performance of the business and the funds they manage. In addition to the key decision makers on Funds, each of the senior leadership team members are also remunerated in this way. This approach ensures that those individuals providing stewardship across our investments do so in a way that is longer term and sustainable in nature. Individuals are not incentivised by short terms gains or returns.

## Our approach to managing conflicts

OEGEN are aware of the potential conflicts of interest that can arise within OEGEN and between our client investors. Given the number of funds that OEGEN manages and the multiple directorship services that OEGEN already provides to its assets under management, conflict of interest is something that is very carefully managed. OEGEN has its own Conflict of Interest Policy that remains applicable to any stewardship activities carried out by OEGEN employees. The policy lays out our management approach, but main management techniques utilised include:

- conflicts management processes designed to identify and then prevent or manage actual, potential or perceived conflicts of interest;
- maintenance of insider lists and a register of outside business interests and personal account dealing rules;
- controls over the handling and flow of confidential and inside information;
- requirements for employees to disclose any and report information on conflicts;
- retainment of records and supporting documentations of all decisions or actions taken in response to a conflict by the Governance, Risk and Compliance (“GRC”) team and appropriate individuals;
- segregation of duties and information barriers where necessary;
- escalation to Conflicts Committee in cases where any of the above actions are considered insufficient by the GRC in respect to the conflict;
- stage of the relationship; and
- where appropriate and proportionate, organisationally and hierarchically keeping certain functions, such as compliance, separate from investor facing teams.

## Responding to market-wide and system risks in renewable energy

Alongside providing investment specific active stewardship, OEGEN also engages on market wide industry specific risks working with different stakeholders in the market to drive towards positive stewardship outcomes. OEGEN also collaboratively engages with asset managers and organisations to mitigate systemic risks.

## Key Themes for Stewardship

<b>Biodiversity</b>	We work with external organisations and our service providers to improve biodiversity at the renewable energy assets that we manage and have developed a Biodiversity policy that is implemented across the sites we manage. Examples include planting wildflowers, installation of beehives, bird and bat boxes, pond installation, planting of pocket forests.
<b>Human rights in the supply chain</b>	In response to challenges associated with solar panel manufacturing and allegations of forced labour within the global supply chain, OEGEN has put in place a panel procurement policy and has worked with all panel suppliers to put in place supplier code of conducts. OEGEN has worked on SEUK's Solar Stewardship Initiative to develop and implement an industry wide response to this issue.
<b>Climate change</b>	OEGEN is undertaking climate risk assessments across its investments, working with Baringa to develop climate scenario data for energy prices in different climate scenarios. As a member of the IIGCC and SEUK's Solar Stewardship Initiative, OEGEN contributes ideas and resource to the sustainable transition to net zero.
<b>Carbon Footprint</b>	OEGEN actively engages with its service providers to reduce the carbon footprint of the investments they manage. This is achieved through measuring the associated carbon emissions of their activities and identifying opportunities to reduce emissions, for example transferring asset import tariffs from non-renewable tariffs to renewable tariffs.
<b>Just Transition</b>	OEGEN actively engages with local communities, workers and customers and favours investments where there are opportunities to give fair access to affordable green energy, share benefits with the community and create local jobs. OEGEN aims to give local communities a voice on projects in support of creating a just transition.
<b>Energy levies and government intervention in energy markets</b>	Octopus Energy engages with policy makers and regulators in the markets to support the transition and the revolutionise the energy sector to be more customer- and planet- friendly at the same time as protecting investors interests.



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# Investment approach

## Communicating outcomes

It is our ambition to unlock capital required to support a pathway to net zero. Having full sight of generation through to supply as part of Octopus Energy Group gives us unique insight and position to disrupt the energy industry in a way that benefits investors and end consumers.

The majority of our investors are institutional investors who have long-term investment horizons and we currently market for investors across Europe, South Korea, Japan and the UK.

We pride ourselves on providing high-quality reports to our investors – both for transparency but also to enable investors to engage more easily with their investments. As we manage investments actively, we are able to provide our investors with very detailed information on the performance of their investments, both financially, but also in relation to broader contributions to society and the environment.

We remain open to our investors' views on stewardship activities and remain flexible to help them fulfil their stewardship reporting requirements. We provide case studies that can be utilised by our investors and provide bespoke information as required. For example, many of our investors are looking for more engagement activities in relation to climate change adaptation, and so this has become one of the key topics of OEGEN's engagement activities. Summaries of our activities are communicated to all of our investors in the fund annual reports.

## Stewardship, investment and ESG integration

OEGEN has a Responsible Investment Policy that sets out the approach to identifying and managing ESG matters and the principles that we adopt. These principles are in line with the UN Principles for Responsible Investment (UN PRI) to which OEGEN is a signatory. OEGEN also puts in place a specific ESG policy for each fund it manages, which is approved by each Fund Board and seeks to implement the principles contained in the Responsible Investment Policy. The ESG Policy is reviewed annually in relation to each of its funds.

OEGEN seeks to embed the principles set out in the Responsible Investment Policy into investment decisions and ongoing management of investments to actively manage sustainability risks. In addition to having a no fossil fuel or nuclear energy-related investments policy, ESG risk management is ingrained in the way OEGEN seeks to originate and execute investment decisions, as well as in ongoing portfolio and asset management.

It is the responsibility of the Investment Committee to ensure that any ESG or climate risks are considered in the investment process and mitigated before that investment is approved. The methodology of assessment includes an ESG Matrix which has a minimum score. Materiality of risks which are identified in the ESG Risk Matrix is determined using guidance from the Sustainability Accounting Standards Board (SASB) framework, which identifies financially material ESG risks by asset class. To enable completion, the investment team commissions technical and legal due diligence as well as having material counterparties complete ESG due diligence questionnaires. Once completed, this is then reviewed by the ESG team and "signed off" by the Fund Management and Operations Director, who is independent of the investment team.

During the investment cycle, the ESG Risk Matrix assesses indicators that would indicate material environmental, social or governance issues alongside climate related risks. These indicators include those relating to environmental damage (carbon, biodiversity, water and waste) and are mitigated through environmental impact assessment, habitat management plans, resource minimisation

strategies, carbon reduction. The matrix also assesses counterparty and Investee company policies (or the counterparties managing the renewable assets) for social and employee matters (anti-bribery, corruption, human slavery, equality, diversity and opportunity), unfair advantage and community relations (engagement and community benefit initiatives).

## Monitoring managers and service providers

As explained previously above under the Governance section, OEGEN work with a range of external service providers to manage the portfolio of investments, for example construction managers, operations and maintenance providers, and external asset managers. When selecting services providers, OEGEN conducts rigorous due diligence including which includes competence, cyber and ESG. Our suppliers need to have in place a supplier code of conduct or adopt the OEGEN supplier code of conduct. To address any adverse impacts on a continuous basis, OEGEN actively engage with service providers, provide decision making oversight and carry out an annual review on each material third-party service provider and this includes reviewing policies in relation to human rights, anti-corruption and anti-bribery. Where service providers fail to meet the standards set, particularly with regard to HSE, OEGEN will use its contractual rights to first look to improve the service provision, and if that is unsuccessful, terminate the service provider.

Engagement with senior management or boards of investee companies is also undertaken in circumstances where the fund does not hold a controlling interest in the relevant Investee Company. In these cases, OEGEN will secure shareholder rights through contractual and other arrangements, to, inter alia, ensure that the renewable energy asset is operated and managed in a manner that is consistent with the fund's investment and ESG Policy. OEGEN will always take up Board seats and attend Board meetings. Regular reporting data is provided to the Fund Boards on investee performance, including any environmental or social issues or risks. We will directly use our influence to monitor and support investee companies on relevant matters including strategy, financial and non-financial performance and risk, capital structuring and social and environmental impact.

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# Engagement

## Prioritisation

We identify key priorities for each fund and use these to inform our stewardship activities with the relevant service providers and managers. Depending on the portfolio, we look to prioritise our engagement activities based on:

- The materiality of the risk or matter to the investee company
- The size of the fund's investment into the investee company
- The level of confidence or transparency with the manager or service provider on the matter
- The specific ESG target the fund wants to introduce and its relevance to that service provider and manager
- The level of influence we are likely to have on the service provider and manager

Depending on the requirements of the activity we look to carry out a number of different engagement methods, and will set out expected delivery timelines and interim targets where appropriate. Engagement methods typically include:

- Meeting with chair/board members
- Meeting with management
- Meeting with communities, landowners and other stakeholders
- Meeting with investors
- Meeting with service providers
- Writing letters/emails and phone calls
- Site visits
- Face to face meetings at portfolio companies' offices
- Direct decision making as Directors of companies

## Collaboration

As well as direct engagement, we engage in collaboration with wider stakeholders on specific issues that are aligned with the objectives of our funds and/or OEGEN's objectives. Memberships to initiatives like the IIGCC allow us to assess collaboration opportunities on topics most relevant to us. Octopus Energy Generation has no political affiliation and does not make donations to political parties. Any political engagement will always be in support of a green energy system whilst satisfying our fiduciary duties to our investors.

## Escalation

Given OEGEN works with a range of service providers to help manage the assets, some stewardship activities are carried out by third parties on OEGEN's behalf. Our service providers are aware of their responsibilities and these are laid out in the contractual arrangements we have with them.

In the case where engagement on specific topics have failed, we may escalate the topic and take the further actions where relevant and appropriate to deliver our desired stewardship outcomes. Typically this would involve the request of additional meetings with senior management or board members but in exceptional circumstances it may also lead to the proposal of a change in board membership or service provider and a proposal to exit investment.

## Exercising rights and responsibilities

OEGEN acknowledges that as a responsible investor it has a responsibility to exercise its voting rights where OEGEN has the ability to do so.

As explained above, given directorship services are provided by OEGEN staff on the majority of investee companies under OEGEN's management, rights do not need to be "exercised", as those rights are a matter of course due to the nature of having full and sole responsibility and control.

Where OEGEN doesn't have full and sole control of investee company boards, OEGEN always exercises its shareholder rights in relation to its approval rights and reserved matters with regard to its investments.

In instances where there are voting matters, OEGEN will ensure that voting decisions are in line with the responsible investment policy and themes, as well as the fund's ESG policy.