Principal Adverse Impacts Statement

Octopus Renewables, April 2021

Purpose and scope of this statement

The Sustainable Finance Disclosure Regulation ("**SFDR**" or the "**Regulation**") applied from 10 March 2021. The Regulation requires financial market participants to provide information to investors with regards to the integration of sustainability risks in their investment decision-making processes, how remuneration policies are consistent with such processes and whether they consider adverse sustainability impacts of their investment decisions ("**Entity-Level Provisions**"). It also requires financial market participants to make disclosures about in-scope products that they manage.

Although Octopus Renewables is not obligated to comply with the SFDR, the firm has carefully evaluated the requirements of the principal adverse impacts regime in Article 4 of the SFDR, and in the European Supervisory Agencies' final report on the Regulatory Technical Standards published in February 2021 (the "**PAI regime**"). Octopus Renewables is supportive of the policy aims of the PAI regime, to improve transparency to clients, investors and the market, as to how financial market participants integrate consideration of the adverse Entity-Level Provisions of the impacts of investment decisions on sustainability factors. However, due to the scope of financial products that Octopus Renewables manages, the firm is concerned about the lack of readily available data to comply with many of the reporting requirements of the PAI regime, as the firm believes that companies and market data providers are not yet ready to make available all necessary data for the PAI regime pursuant to the current draft of the Regulatory Technical Standards.

Notwithstanding the above, Octopus Renewables does consider principal adverse impacts of investment decisions on sustainability factors, which, under the SFDR, are defined as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Accordingly, Octopus Renewables has, on a voluntary-basis, published this Statement in relation to Article 4(1) of the Regulation.

This Statement is further supported by written policies, referenced below and published to our website under our ESG pages at www.octopusrenewables.com.

Summary

Octopus Renewables is a specialist clean energy investment manager with a mission to accelerate the transition to a future powered by renewable energy. By channelling capital towards sustainable outcomes that mitigate climate change, Octopus Renewables aims to contribute to international efforts to limit the global temperature in this century to below the Paris Agreement's target of 2 degrees.

Octopus Renewables actively manages investment funds that include discretionary portfolios in partnership structures or Alternative Investment Funds ("AIFs") as well as pooled funds including listed and privately placed AIFs. Where funds are classified as AIFs, Octopus AIF Management Ltd ("OAIFM"), an entity within the Octopus Capital Group, acts as AIFM and will delegate portfolio management to Octopus Renewables.

Octopus Renewables has a "Responsible Investment Policy" that sets out the approach to identifying and managing environmental, social and governance ("ESG") matters and the principles that we adopt. These principles are in line with the UN Principles for Responsible Investment (UN PRI) to which Octopus is a signatory.

Octopus Renewables seeks to embed the principals 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 Octopus

Renewables seeks to originate and execute investment decisions, as well as in ongoing portfolio and asset management.

Octopus Renewables' approach is based around three fundamental stakeholder lenses: Performance, Planet and People. This framework embeds ESG risk factors and considerations alongside measuring and tracking the positive impact that Investments have on Investors, the environment and society. These measures enable Octopus Renewables to responsibly achieve its mission to promote the transition to a future powered by renewable energy.

Octopus Renewables puts in place a specific ESG policy for each fund it manages, which seeks to implement the principals contained in the Responsible Investment Policy. The ESG Policy is reviewed annually in relation to each of its funds.

Description of principal adverse sustainability impacts

Octopus Renewables is not obligated, nor is it currently able to comply with Article 4 of the SFDR as supplemented in due course by the Regulatory Technical Standards. Although the firm is supportive of the policy aims for the PAI regime to improve transparency to clients, investors and the market, due to the scope of financial products that Octopus Renewables manages (many of which do not fall within the scope of SFDR), the firm is concerned about the lack of readily available data to comply with many of the reporting requirements of the regime. Accordingly, Octopus Renewables is not able to complete consolidated entity level indicators related to principal adverse impacts on sustainability factors. Instead, Octopus Renewables intends to publish, on a voluntary basis, product-specific quantitative statements on principal adverse impacts on sustainability factors as part of its periodic reports for financial products that are classified as Article 9 products within SFDR, as well as any future products classified as Article 8 products or are otherwise in scope of SFDR. The following principal adverse impacts on sustainability factors are taken into account, with respect to the renewable energy assets:

Environmental damage

- Biodiversity Cost: 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. Negative biodiversity impact is also a risk as it can affect community relations.
- Carbon Emissions: Whilst renewable energy investments enable a clean energy future and avoid many tonnes of carbon, the construction phase of renewable infrastructure development can be carbon intensive so measurement and mitigation policies should be assessed.
- Pollution: The risk that investments generate, or are exposed to pollution through the materials and processes involved in the supply chain of renewable infrastructure, mitigation and management will be driven through supplier selection where possible.

Social and employee matters, respect for human rights

- Health and Safety of Workforce: Working on renewable infrastructure can be hazardous and keeping people safe is a priority of Octopus Renewables. Investments could be 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.
- 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.
- Community Relations: Investments may be 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.
- Human Rights in Supply Chain: The renewables sector (like every other sector) could be subject to human rights abuse that needs to be mitigated and Octopus Renewables ensures appropriate due dilligence and policies are in place for service providers.

Governance, anti-corruption and anti-bribery matters

- Anti-Bribery and Corruption: Risks associated with a project or asset achieving any permit, license or authorisation through undue process, for example bribery and/or corruption. Approproiate KYC is undertaken on service providers and investors.Conflict of interest risk: These could occur at an individual, asset or portfolio level in the acquisition and ongoing management of the renewable investments and is mitigated to protect interest of investors to the maximum extent reasonably possible.

Description of policies to identify and prioritise principal adverse sustainability impacts

ESG risks are considered at all stages of the investment process, in respect of each individual investment opportunity. The Octopus Renewables investment team is required to complete an ESG risk matrix which comprises around 30 pre-defined questions which identify principal adverse sustainability impacts and indicators, and these questions are aligned to the *Responsible Investment Policy* and *Fund ESG Policies*. 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.

The outcome of the assessment is presented as part of the investment committee paper submitted to the Octopus Renewables Investment Committee ("ORIC") for consideration. The ESG Risk Matrix has a total possible score of 15, with a score of 9 required to be in compliance with the ESG Policy. We have in the past abandoned the pursuit of investment opportunities that fail to score 9 or above in the ESG Risk Matrix.

Octopus Renewables also measure principal adverse sustainability impacts, as per the SFDR requirements, using third-party ESG related data, to help clients understand the magnitude of the principle adverse sustainability-related impacts that our funds have. For products that fall in scope of SFDR, the 14 Regulatory Technical Standards Indicators alongside the two additional Indicators once the RTS enters into force. In addition, the following indicators are reported:

1. Capital invested into renewable energy assets
2. EU Taxonomy qualifying %
3. MWh of renewable energy produced
4. Carbon avoided equivalents

Carbon avoided is calculated using the International Financial Institution's approach for harmonised GHG accounting.

In addition to fund-specific ESG Policies, Octopus Renewables has policies and processes that support our commitment to ESG matters, including an *equal opportunities policy*, *modern slavery policy, whistleblowing policy* and *conflicts policy*.

Engagement Policies

The majority of Octopus Renewables' renewable energy assets under management are wholly owned subsidiaries of the investee fund. It is usual that where Investee Companies are fully owned subsidiaries, directorship services are provided by Octopus Renewables ensuring consistency in governance and in the application of the ESG Policy which applies to Investee Companies. Due to this, Octopus Renewables do not put in place investee company engagement policies. There are no voting matters to report on as Octopus Renewables actively manages and make decisions as directors of the Investee Companies. Octopus Renewables 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.

In circumstances where the fund does not hold a controlling interest in the relevant Investee Company, Octopus Renewables 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.

Octopus Renewables 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, Octopus Renewables actively engage with service providers, provide decision making oversight and carry out an annual ESG review on each material third-party service provider and this includes reviewing policies in relation to human rights, anti-corruption and anti-bribery. This seeks to ensure that strategies to reduce any new adverse impacts are put in place in a timely manner.

Adverse impacts associated with health and safety are assessed and monitored continuously by the Asset Management Directors and/or HSE consultants. No investment can be made without an appropriate HSE sign off and quality and competency reviews are periodically conducted by the HSE consultants.

All investors are provided comprehensive reports on the performance of their funds. Every investor report includes related ESG information and KPIs.

References to international standards

Octopus Renewables maintains a list of relevant responsible investment partner organisations and memberships which create potential synergies and provide valuable insights and benefits. Octopus is currently a member or supporter of the following organisations:

- United Nations Principles for Responsible Investment ("UN PRI")
- Taskforce for Climate and Financial Disclosures ("TCFD**")**
- International Finance Corporation (“IFC”) ‘Impact Principles’

Octopus Renewables therefore seeks to operate in line with these international standards.