octopus investments
A brighter way

Octopus Investments

Taskforce on Climate-Related Financial Disclosures (TCFD) Report

For the year ended 30 April 2025

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Statement of Compliance

The Board confirms that it supports the TCFD's aims and objectives and have included climate-related financial disclosures in line with the four key pillars and eleven recommendations.

In addition, to mitigate the financial impact of sustainability risks, we apply Sustainability Accounting Standards Board ("SASB") guidance on materiality, assessing whether, and to what extent, sustainability issues (including climate risks) could impact performance.

The Board confirms that the disclosures in the report, including any third party or disclosures cross-referenced in it, comply with TCFD requirements.

Simon Rogerson, CEO

Octopus Investments (OI or Octopus) is on a mission to invest in the ideas, industries and people that will change the world. We apply our expertise and invest our clients' money to build a brighter world for future generations.

Octopus has a strong commitment to responsible investment, the vast majority of the money we manage is invested across three themes: building a sustainable planet, revitalising healthcare and empowering people.

Climate change is one of the most critical challenges facing civilisation as we know it today. Companies have a vital role to play in addressing climate change and Octopus believes that measuring, managing, and communicating sustainability performance is an essential part of the company's responsibility and performance.

The potential impacts of climate change are wide-ranging and changing in scale and magnitude. Extreme weather events can disrupt operations and supply chains, among numerous other physical risks. Consumer awareness is increasing, which consequently influences consumer preferences. Investors and consumers are increasingly looking for products and services with a low-climate impact, or those supporting a low-carbon economy. We are building the infrastructure to support a lower carbon future – and as the pace of transition increases – so, too, does the demand for our investment products and services.

Our approach to climate change management continues to evolve and we are committed to improving our disclosures in accordance with the TCFD framework. Moreover, we believe our approach to Responsible Investment will positively impact investment returns.

Task Force on Climate-related Financial Disclosures (TCFD) is split between:

- TCFD recommendations – which focus on assessing the financial impact of climate change on business models to help organisations build resilience to climate change into their strategy. The TCFD recommendations comprise a set of 11 recommendations for climate-related disclosures that should be made by companies. These can broadly be split between: Governance, Strategy, Risk Management, and Metrics and Targets.
- We have focused our disclosures within these four broad categories based off our internal Responsible Investment (RI) Committee meetings and other relevant governance bodies discussions surrounding the most material risks and opportunities for Octopus. Our RI Committee meetings have provided the framework for RI tools to assess the potential impacts and opportunities and we are continually evaluating and working to improve our tools, assessments and databases.
  - Further information can be found at: https://www.fsb-tcfd.org/recommendations/
- TCFD disclosures – which help businesses demonstrate the extent to which the recommendations have been implemented and provide useful information to investors.

Octopus integrates both recommendations and disclosures within Octopus' processes – examining materially relevant risks and opportunities, through use of external providers and internal Responsible Investment (RI) tools – further described in in the Risk Management section.

Governance: Disclose the organisation's governance around climate-related risks and opportunities

a) Describe the board's oversight of climate related risks and opportunities

Octopus Investments' Board of Directors (Board) delegates accountability to the Responsible Investment (RI) Committee, which sets the strategy through the RI policy and provides oversight. This policy sets out the businesses approach to considering, evaluating and integrating climate related risks and opportunities throughout the organisation

The RI Committee meet quarterly, report to the board annually on progress against the goals, and consists of the following key members:

- Chief Investment Officer, Octopus Capital
- Co-Head Retail, Octopus Investments
- Chief Executive Officer, Octopus Capital
- Director of Operations, Octopus Ventures
- Investment Operations Director, Octopus Capital
- Senior Fund Manager, Octopus Investments
- Head of Compliance, Octopus Investments
- Fractional CSO, Groundswell

The heads of our investment teams are responsible for ensuring that climate-related risks are integrated within decision making and for ensuring that each fund has its own fund level RI policy – which has been approved by the board or shareholder representative .

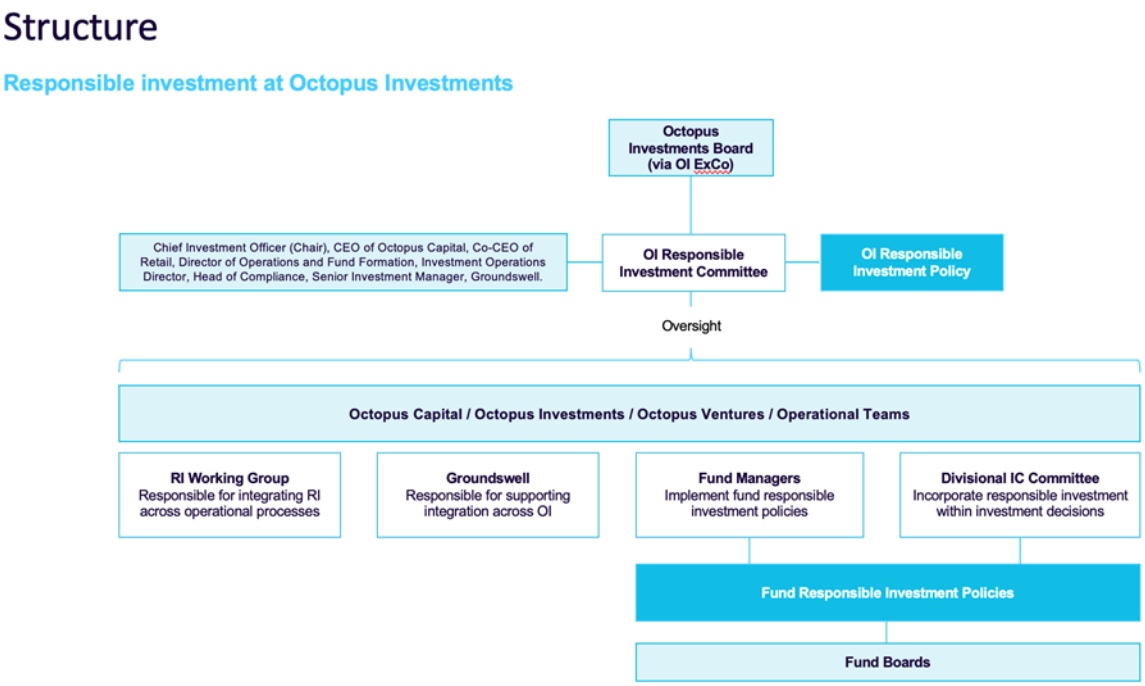
b) Describe management's role in assessing and managing climate-related risks and opportunities

RI risks, including climate risks, are assessed by the Investment Committee as part of the investment process and where risks have been identified and considered, the investment teams are responsible for ensuring that adequate steps are taken to reduce exposure or mitigate them.

The day-to-day management, monitoring, and assessment of climate related risks and opportunities is then undertaken by the fund management teams.

The RI Committee review and approve the Responsible Investment Policy annually which has been implemented across Octopus Investments three businesses: Capital, Retail and Ventures.

Below is an organisational chart, detailing our governance structure:



Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

Octopus is most exposed to the impact of climate-related risks and opportunities through its investment portfolios, and the impact this could have on investment performance.

Octopus is most exposed to climate risks and opportunities through its real asset investments in renewable infrastructure and real estate.

Octopus leveraged guidance from the Sustainability Accounting Standards Board (SASB) to identify risks that could be financially material to investments. Using SASB's climate risk overlay, the team then identified which of these risks were regulatory, transition, or physical climate risks. Risks that are relevant to the sector and subsector are identified and assessed within the investment process.

Renewable infrastructure is supporting the transition to a lower-carbon future – which creates opportunities for our investments. But our renewable infrastructure is also exposed to physical risks associated with extreme weather events which could both result in downtime that reduces revenues, and damage infrastructure.

Octopus' real estate investments are exposed to both physical and transition climate related risks and opportunities. Buildings are exposed to acute physical climate risks such as damage from

floods or storms, and the transition to a lower carbon economy could introduce additional building regulations and carbon taxes that could have a negative impact on performance.

Developing resilience to transition risks across our real estate investments has created opportunities where Octopus can benefit from the transition to a lower carbon economy. In this climate pathway, more efficient and sustainable buildings increase in desirability and are not subject to the same costs associated with refurbishment to meet changing standards or carbon taxes.

An overview of material climate related risks and opportunities are set out below:

Risks

TCFD category	Climate related trend	Potential financial impact	2027	2035	2050	Strategic response and resilience
Policy and legal	Regulatory changes for incentives to construct and operate renewable infrastructure	Exposure to more volatile power prices	1.5° low 4° low	1.5° med 4° low	1.5° med 4° low	Develop predictable long-term revenue streams that will provide resilience against energy costs
Policy and legal	Increased pricing of GHG emissions	Enhanced operating costs could impact investment performance	1.5° low 4° low	1.5° med 4° low	1.5° med 4° low	Enhanced operating costs could impact investment performance
Technology	Costs of transitioning to lower emissions technology	Capital investment in technology developments could impact investment performance	1.5° low 4° low	1.5° med 4° low	1.5° med 4° low	Capital investment in technology developments could impact investment performance
Physical risks	Increased severity of extreme weather events such as storms and floods	- Increased capital costs through damage to facilities - Increased insurance premiums on asserts in high-risk locations could impact investment performance	1.5° low 4° low	1.5° low 4° med	1.5° low 4° high	Carry out site analysis to reduce exposure to acute risks and work with portfolio companies to understand impact of acute risks on manufacturing and supply chain

TCFD category	Climate related trend	Potential financial impact	2027	2035	2050	Strategic response and resilience
Physical risks	Extreme variability in weather patterns, rising temperatures, and rising sea levels	Increased capital costs and operating costs could impact investment performance	1.5° low 4° low	1.5° low 4° med	1.5° low 4° high	Carry out site analysis to reduce exposure to acute risks and work with portfolio companies to understand impact of chronic changes on operating costs

Opportunities

TCFD category	Climate related trend	Potential financial impact	2027	2035	2050	Strategic response and resilience
Resource efficiency	Move to more efficient buildings	Increased value of fixed assets (highly rated energy – efficient buildings) could increase investment returns	1.5° low 4° low	1.5° med 4° low	1.5° med 4° low	Continue to deploy into green homes, and support transition to lower carbon future through sustainable infrastructure
Products and services	Increased pricing of GHG emissions	Increased revenue through demand for lower emissions goods and services	1.5° low 4° low	1.5° med 4° low	1.5° med 4° low	Continue to invest in tech enabled start-ups with lower emissions goods and services
Technology	Costs of transitioning to lower emissions technology	Capital investment in technology developments could impact investment performance	1.5° low	Technology	Costs of transitioning to lower emissions technology	Capital investment in technology developments could impact investment performance

TCFD category	Climate related trend	Potential financial impact	2027	2035	2050	Strategic response and resilience
Markets	Access to new markets	Increased revenues through access to new and emerging markets	1.5° low 4° low	1.5° low 4° med	1.5° low 4° high	Keep at the forefront of climate tech and support new and emerging markets

b) Describe the impact of climate related risks and opportunities on the organisation's business, strategy and financial planning

Climate related risks and opportunities influence our business planning process and form a key part of our decision to enter new markets; and play a role in determining how we deploy capital across our existing investment mandates. Each investment team is responsible for ensuring that climate-related risks are integrated within the investment and portfolio management process utilising our in-house proprietary RI tools, which have been built incorporating the SASB Materiality Matrix framework – further detailed in the *Risk Management* section below. The following details the varied asset classes, alongside consideration for material climate-related risks:

- **Real Estate –** Our lending business provides short-term loans which means that they are less exposed to physical risks which are considered to be more material in the long-term and within a 4-degree pathway. Our lending teams work with developers to mitigate many of the transition risks associated with a 1.5-degree pathway. For example, Octopus Zero Bills is an initiative that we have designed to help developers transition to a lower carbon economy – by guaranteeing zero energy bills for five years, for new homes incorporating the right combination of solar panels, home battery and heat pump, thereby providing homeowners with the opportunity to benefit from economic savings in the short-term, whilst providing long-term green energy opportunities.

  Our development business focuses on UK assets that are built to achieve best-in-class energy efficiency ratings, providing Octopus with product opportunities in the market transition. These development funds benefit from many of the short-term transition risks associated with the transition to a lower carbon economy in a 1.5-degree pathway but are exposed to some of the longer-term physical risks in a 4-degree pathway, such as damage from floods or storms.

- **Renewable Infrastructure –** Given the long-term experience and strong links to its suppliers, particularly in renewables, Octopus is well positioned to overcome risks and take advantage of opportunities arising from climate change. Climate-related risks and opportunities are also at the core of the strategy and are discussed right the way through investment teams. Climate plays a part in shaping the long-term business, strategy and financial planning.

  Octopus constantly assesses the risks and opportunities presented by variable weather as part of ongoing due diligence and performance management. Over the longer term, regulatory changes could lead to changes in government incentives for constructing and operating renewable energy assets. These investments could be exposed to volatile power prices as renewable energy becomes an increasingly sizeable proportion of total energy produced by the UK market.

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To mitigate this risk, Octopus enters short-and long-term contracts which fix the income for all, or a portion of the energy generated by a site. Long-term government backed agreements are also in place, such as the Renewable Obligation Certification ("ROC") scheme. This continues to deliver predictable, long-term revenue streams, providing resilience against volatile pricing changes in the UK energy market.

- **Venture Capital –** Our ventures team are backing tech-enabled businesses – many of which – improve energy efficiency (resource efficiency-driven products and services) and are less exposed to physical risks, such as extreme weather (i.e. storms, flooding and fires) over the short-term, when compared with industry incumbents. While the portfolio continues to be assessed against climate-related risks, the team have not identified risks that pose a material risk to investment performance over the short-, medium-, or long-term.

- **Quoted Companies –** Our quoted companies' team assess the key risks a portfolio company faces, including transitional and physical risks associated with climate change, as well as whether these companies have taken appropriate steps to mitigate these potential risks. During the life of the investment, the team regularly reviews the performance of the company against several metrics to decide whether those companies are delivering on plans or targets.

c) Describe the resilience of the organisation's strategy taking into consideration different future climate scenarios. including a 2ºC or lower scenario.

Octopus is presently working to quantifiably assess climate-related metrics through scenario analysis. To date, the lack of data availability and reliability has been a significant challenge, particularly across many of our asset classes, including our Venture Capital (early-stage companies) and many privately held assets. Due to the data challenges, we have embarked upon the following qualitative disclosures, rather than quantitative disclosures, as we felt that the methodological challenges and data gaps would provide an incomplete and inaccurate picture.

Octopus benefits from a quicker transition to a lower-carbon economy, such as in a 1.5ºC climate pathway, whilst taking the steps to ensure that we remain resilient to the risks associated with scenarios such as a 4ºC pathway.

Under a 1.5ºC scenario, the world will experience a significant shift away from traditional fossil fuels towards renewable energy sources as countries and businesses alike implement strong decarbonisation plans to reach net zero. Delivery on these ambitions requires a significant increase in the pace of capital deployment into renewable energy and sustainable infrastructure. The Real Estate industry will also need to change, buildings are currently responsible for 37% of global carbon emissions and will need to decarbonise if collectively we are going to meet our Net Zero targets. These changes would lead to a growth in our fund management group – as a specialist alternatives manager supporting a lower carbon economy.

Under a 4ºC scenario, the transition to a lower-carbon economy has been slower and the incentives to construct and operate renewables, while decarbonising industries such as real estate, have not worked. This could reduce demand for our investments, and therefore negatively impact investment returns. The increased physical risk of more extreme weather could also negatively impact real assets within our investment portfolios, creating additional costs and increasing downtime where assets are unable to generate revenues.

When comparing the two scenarios, Octopus is set to benefit more from a 1.5ºC scenario than a 4ºC scenario pathway due to increased revenue and AUM growth. The Board believes the business strategy is resilient and flexible to either scenario enabling Octopus to continue to provide returns whilst contributing to the transition to a lower-carbon economy.

Risk Management: Disclose how the organisation identifies, assesses, and manages climate-related risks

a) Describe the organisations process for identifying and assessing climate related risks

Climate-related risks are identified, assessed, and managed within the investment process, through the internal proprietary tools further described below. This relevant risk data is consolidated at a firm level to maintain an understanding of all climate risks which could impact fund, and subsequently company, performance.

Octopus developed internal tools which support responsible investment. These tools are utilised to develop an understanding of the financial impact of sustainability issues on performance, including climate-related risks and opportunities:

- The **Responsible Investment (RI) Tool** is completed by the investment manager and assesses a portfolio company's exposure to climate related risks and opportunities as part of the due diligence process. The RI Tool has been built using the SASB (Sustainability Accounting Standards Board) materiality map which outlines key sustainability issues which should be considered as most material across different sectors. The Tool also incorporates the SASB climate overlay which highlights which sustainability issues are climate risks. The Impact and Sustainability team has assessed whether these risks are financially material in a 1.5-degree climate pathway or a 4-degree climate pathway.

- The **Engagement Tool** is completed by the portfolio company. This survey captures relevant information and data which helps the team to understand to what extent they consider their wider stakeholders. Where companies require additional support, Octopus provides access to licensed tools that allow them. For example, we licensed a carbon platform to help portfolio companies measure their emissions quickly and easily – thereby allowing portfolio companies to also begin to build out their own emissions databases.

  When we launched the Engagement Tool, there was initial pushback from portfolio companies due to resource challenges, so we created a reduced survey for companies with under thirty employees and once they cross this threshold, they must complete a more comprehensive, full-length engagement survey.

  We also identified that a large portion of portfolio companies did not have emissions data, so we have licensed a carbon accounting platform called Minimum which simplifies the carbon emissions disclosures – in a simple, user-friendly and cost-efficient manner (as we cover the cost for our portfolio companies).

b) Describe the organisation's process for managing climate-related risks.

At a fund-level, as with all sustainability issues, climate-related risks that have been identified during the due diligence process will be discussed by the relevant Investment Committee (IC). Where risks are considered material to investment performance, these issues will be incorporated within the risk register and assessed on an ongoing basis. At a firm level, material climate risks will be reviewed by the RI Committee and Audit and Risk Committee, and steps will be taken to mitigate exposure where it is deemed that further measures should be taken.

c) Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisations overall risk management

The data from these tools form a material part of the company's risk management process. From the IC process itself, and the risk register associated with new investments, through to the company's central risk management process.

This ensures that climate risks are identified, assessed, and managed as soon as possible in the investment process. Should any material risks be identified by the above processes, Octopus would implement an appropriate strategy to address the risks. Strategies include diversification of assets and geography, appropriate levels of insurance, and seeking different opportunities in sustainability.

Metrics & Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

Greenhouse Gas (GHG) Emissions have been identified as a climate-related risk that can have a material impact on the financial performance of all funds, products, and the wider business. As a result, Octopus has taken steps to measure and report on Scope 1, 2 and 3 business travel and purchased goods and services (PG&S) emissions, as well as those associated with investment portfolios using guidance from the GHG protocol.

b) Disclose scope 1, scope 2 and if appropriate scope 3 greenhouse gas (GHG) emissions and the related risks

Emissions (location based)	FY24 (tCO_2e)	FY23 (tCO_2e)	% change
Scope 1	10.52	133.00	-92%
Scope 2	122.13	122.00	0%
Scope 3	3,738.69	2,732.00	37%
Total	**3,871.34**	**2,987.00**	**30%**

Aggregated markets	FY24	FY23	% change
Total emissions data (tCO_2e)	3,871.34	2,987	29.61%
Total Energy Consumption (MWh)	512.90	538	0.12%
Emission intensity (tCO_2e/MWh)	7.54	5.55	29.59%
Weighted Average Carbon Intensity million of revenue (tCO_2e/revenue)	18.46	13.88	32.99%

Employee Intensity Metric	FY24	FY23	% change
Full Time Equivalent	700	683	2.50%
Emission intensity	5.53	4.37	26.54

Quality of data provided

Octopus appointed Minimum, who are carbon accounting experts, to independently calculate its Greenhouse Gas ("GHG") emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'.

The GHG emissions have been assessed following the ISO-14064:2018 standard and have used the 2022 emission conversion factors published by the Department for Business, Energy & Industrial Strategy (BEIS).

The emissions were categorised into location-based Scope 1, 2 and 3 emissions, in alignment with the World Resources Institute's 'Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard' guidelines with the below definitions:

- Scope 1: All direct GHG emissions from sources under their control (e.g. burning fuel)
- Scope 2: Indirect GHG emissions from where the energy is purchased and produced (e.g. when generating electricity used in the buildings)
- Scope 3: All indirect emissions not covered by scope 2 that occur up and down the value chain (e.g. from business travel, employee commuting, use of sold products, distribution).

Minimum used a survey-based approach to collect data, allowing subsidiary companies to submit total values for different activities or detailed consumption figures. Wherever possible, primary data was collected, be it kWhs of electricity consumed, m^3 of natural gas burnt and kilometres travelled by different modes for scope 3 emissions.

As noted previously, Octopus is presently working to quantifiably assess climate-related metrics through scenario analysis. To date, the lack of data availability and reliability has been a significant challenge, particularly across many of our asset classes, including our Venture Capital (early-stage companies) and many privately held assets. Due to the data challenges, we have embarked upon qualitative disclosures, rather than quantitative disclosures, as we felt that the methodological challenges and data gaps would provide an incomplete and inaccurate picture.

Currently, we believe that approximately £2 billion of our £13 billion AUM (15%) is officially aligned with Net Zero targets, thereby, consistent with a 2-degree Celsius, or lower scenario. We are currently updating our Net Zero strategy – discussed further below – which will provide targets and a clear roadmap, to be validated by the Science Based Targets initiative.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

This year, Octopus will submit and validate their science-based targets to the Science Based Targets initiative (SBTi). They will propose two headline targets across Scope 1, 2 and 3 (Category 15) emissions.

1. Octopus commits to setting a 90% emissions reduction by 2030 for Scope 1 and 2 emissions;
2. Octopus commits to reaching Net Zero by 2040 or sooner.

We will set near-term targets for our financed emissions across each asset class, using methodology from the SBTi for Financial Institutions.

As noted earlier, our Net Zero goal is aligned with the aspiration of the Paris Agreement to stay within a safe limit of warming 1.5 degrees by the end of the century. Our goals are set out with the expectation that policymakers and governments will also be aligned and supportive of this. Further information on our Net Zero strategy can be found on our website, which is due to be updated by August 2024.

Moreover, we believe that the best route to achieving our Net Zero plan is alongside our investee companies. As noted earlier, we believe that a commitment to the Science Based Targets initiative (SBTi) will help provide a roadmap to achieving our operational and financed emission goals. We are presently working out the strategic plan to bring our portfolio companies across asset classes along on the journey.