

octopus ventures

A brighter way

Octopus Future Generations VCT Plc

Responsible Investment Policy

January 2023

Purpose

This Responsible Investment Policy is set by the Board to ensure the Manager considers responsible investment within investment decisions in relation to Octopus Future Generations VCT plc (“the Fund”).

Approach

The Policy ensures Octopus Investments, the Investment Manager (“the Manager”), follows a three-step approach to responsible investment which is aligned with the Octopus Group Responsible Investment Policy. This framework considers:

1. **Mission:** the impact of an investment
2. **Materiality:** the materiality of sustainability issues
3. **Responsibility:** an investee company’s values, culture, and behaviour

The Manager is responsible for implementing the Policy. As the nature of the responsible investment, our investors, and the wider business environment evolves, the Policy will be reviewed and if necessary updated.

Responsible Investment Process

1. Mission

The Manager will target investments that help to build a more sustainable planet, empower people, and revitalise healthcare. To measure and manage the fund’s social and environmental impact, the Manager follows an impact framework which includes:

- A 'theory of change' which explains how any given intervention is expected to lead to the desired social or environmental impact
- The Impact Management Project’s ‘5 dimensions of impact’
- IRIS metrics to measure an investments impact
- Independent verification against the Impact Principles

2. Materiality

The Manager will consider environmental, social and governance risks within the investment process and identify sustainability issues (including climate risks) that could impact the financial performance of an investment.

To do this, the Manager has developed a Responsible Investment Tool which uses guidance from the Sustainability Accounting Standards Board (‘SASB’) to help identify and manage issues which could impact fund performance.

3. Responsibility

The Manager will not engage with any person or entity on an internationally recognised 'deny list' and will not invest in any business whose activities or practices appear on Octopus Ventures' Exclusion List, which includes sectors such as tobacco, arms, fossil fuels, gambling and deforestation.

The Manager will also require investee companies to:

- Provide safe and healthy working conditions for all;
- Treat people fairly, irrespective of race, gender, nationality, disability, political or religious beliefs;
- Accept no bribes; and
- Uphold high standards of business integrity at all times.

The Manager believes that a company's values and culture are good indicators of future growth and has created an Engagement Tool (developed in conjunction with B Lab UK) which is sent to all companies as part of the due diligence process and at least annually thereafter.

The Engagement Tool helps the Manager understand whether the company considers its wider stakeholders (community, customers, people, planet & shareholders) within decision making and provides tools and guidance to help companies adopt responsible practices.

The Manager will collect data on diversity within the portfolio and actively work with investee companies to support talent management, recruitment and diversity. A condition of investment is that an investee company will have in place a Diversity and Inclusion Policy, as well as an Anti-Harassment and Discrimination Policy within 90 days of the Fund's initial investment.

Oversight

The Manager's Responsible Investment Committee will oversee the implementation of this approach. To facilitate this, the Manager will integrate Octopus's responsible investment tools as follows:

- The Responsible Investment Tool (to be completed by the investment team) will capture data on each investment company across all three aspects of responsible investment: mission, materiality and responsibility.
- The Engagement Tool (to be completed by the portfolio company) will provide information on each of the 5 B Corp stakeholder groups (people, environment, customers, community and governance).
- Information from these tools will feed into the Responsible Investment Dashboard which will provide oversight over fund and firm level data. The Octopus Responsible Investment Committee will review this data in quarterly meetings.

Reporting

The Manager will commit to reporting on responsible investment on at least an annual basis. This reporting will cover the three-step approach to responsible investment (mission, materiality

and responsibility) and will incorporate guidance from TCFD (the taskforce on climate related financial disclosures).

At a Portfolio level, the Manager will report

- % and value of investments within each sustainability theme
- % of investee companies to put in place a Diversity and Inclusion Policy and an Anti-Harassment/Discrimination Policy within 90 days of initial investment
- % of companies engaged with on greenhouse gas emissions.