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Katapult Ocean UNEP FI Sustainable Blue Economy Finance Initiative Annual Report 2022

The information in this report is provided and written by Katapult Ocean and should not be interpreted as advice from Katapult Ocean or any of its employees. The information is meant as an update from the company to UNEP and is not intended as an invitation to conduct any investment activity.

Please bear in mind that the information in this document is not supposed to be shared or in any other matter distributed to a third party.

**Reporting Period**
01 January 2022 and 31 December 2022 unless otherwise stated.
**Organisation Summary and Update from the manager**

Katapult Ocean is an investment vehicle part of Katapult Group, that aims to catalyse capital and tech for good.

Katapult Ocean invests and supports early-stage ocean impact startups that make or are aiming at making a positive impact on the ocean, and we do that via our 12-week accelerator programme, continuous work with our portfolio companies, both supporting their impact framework and strategy, and by doing follow-on investments through our Deep Blue fund. We’re assisting our portfolio companies on their fundraising journey - as we believe that the more our impact-intentional founders can grow their companies, the more impact we will see in the world.

When we consider companies for investment, we look for companies that are scalable and with potential for having a big positive impact on the ocean. Initial benchmarking towards the SDG’s and our defined impact framework. We look at:

- Intentionality: Is impact integral to the companies’ organisation?
- The company’s purpose.
- Consider the five dimensions of impact, IMP metrics.
- Environmental, social, governance (ESG) assessment.
- Mapping of SDG’s.
- Potential risks of having a negative impact or not achieving the intended impact.

On our organisation front, Katapult Ocean had added some brilliant minds to our team during the last year with our Investment Manager Anthony Bellafiore, Senior investment associate, Sam Selig and Deal Flow Analyst, Kabir Parker. The rest of the ocean team consists of Investment Director Ross Brooks and Impact Director Ingrid Maurstad. We’re also working closely with the rest of the Katapult organisation; Katapult Group, Katapult Climate and Katapult Africa.

Jonas Svegaard

CEO of Katapult Ocean
Katapult Oceans Investment Thesis, Theory of Change, and alignment to UNEP FI Sustainable Blue Economy Finance Initiative

Katapult Ocean’s investment approach

**Vision**
A world where a thriving ocean is in harmony with economic development

**Mission**
- Invest in startups with a positive impact on our ocean.
- Catalyse capital, companies, and startups to accelerate the blue shift in the ocean industries. As part of this, inspire corporations, research institutions, and investors on the importance of working with startups in the most impactful way.
- Steward ocean tech startups to achieve the UN Sustainable Development Goals with a main focus on SDG 14 - Life Below Water, SDG 13 - Climate Action, SDG 6 Clean Water and SDG 2 Zero Hunger

**Impact Goals**
We will catalyse over NOK 1 000mn (~EUR 101mn) into ocean impact investing within 2025

**Investment thesis**
We invest in top performing teams that have the future solutions to the climate (SDG 13), Ocean (SDG 14), Food (SDG 2) and Water (SGD 6) challenges of our world. More precisely, we invest in Ocean impact companies that solve climate and biodiversity challenges, provide food and clean water for people globally, with a no animal harm approach.

Impact investing for measurable market and climate returns in ocean domains:
- **Ocean Organics:** seaweed, algae, alternative proteins, new organic materials.
- **Energy systems:** wind, solar, wave, tidal, propulsion systems, fuel types, storage.
- **Circular Resources:** ocean regeneration and biodiversity, clean water, waste management.
Since inception in 2018, we’ve done 52 investments worldwide through the different funds in Katapult Ocean.

**52 Ocean investments**

Impact from Entry to Exit

The Katapult system is set up to maximise our portfolio companies’ positive impact in line with our Theory of Change. Our four stage process to maximise impact from Entry to Exit is detailed in the table below. In line with our continuous improvement, we also recognise the need to adopt and better this process over time in a transparent and collaborative way.

<table>
<thead>
<tr>
<th>Stage 1: Screening and Due Diligence</th>
<th>Stage 2: Investment Decision and Agreement</th>
<th>Stage 3: Accelerator Program</th>
<th>Stage 4: Portfolio Management and Exit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome: High impact investment opportunities identified; exclusions screened out</td>
<td>Outcome: High impact opportunities invested in; ESG risks mitigated</td>
<td>Outcome: Cohort impact potential maximised; ESG awareness raised</td>
<td>Outcome: Impact and ESG managed and reported on; Sustainability of high impact ensured as Katapult exits</td>
</tr>
<tr>
<td>Key tool: Impact and Sustainability Assessment</td>
<td>Key tool: Investment Committee and Agreement</td>
<td>Key tool: Impact Management Plan</td>
<td>Key tool: Impact Data Reports</td>
</tr>
</tbody>
</table>

Continuous process revision and improvement
Impact measurement and management

Katapult Ocean is part of the steering committee of 1000 Ocean Startups, a coalition of investors, accelerators and competitions committed to backing at least 1000 transformative ocean startups by 2030. With the help of Systemiq, Ocean Impact Navigator, an ocean impact framework was developed and launched in 2022. Katapult Ocean is using this framework as a starting point when working with our portfolio companies on measuring and managing their impact.

The KPIs are organised within six main impact areas.
The Ocean Impact Navigator consists of 30 KPIs in six main impact areas. Together, the KPIs capture the ways in which ocean innovations impact ocean health, climate change and biodiversity, and reflect the potential cross-cutting contribution of interventions to well-being and equity.

The framework consists of 30 KPIs spanning the six impact areas.

- **A. Sustainably managed ocean resources**
  - A1. Volume of biomass preserved or restored
  - A2. Volume of seafood waste reduced
  - A3. Wildlife at marine sites
  - A4. Volume of ocean-based seaweed and biofuels produced
  - A5. Volume of primary micro-plastics diverted from nature (e.g., landfill)
  - A6. Volume of micro-plastic diverted from nature (e.g., landfill)
  - A7. Nitrogen/Phosphorous pollution mitigated (i.e., reduced, avoided or biomediated)
  - A8. Volume of contaminated waste reduced from land-based sources diverted from waterways
  - A9. Tons of waste diverted from waterways

- **B. A clean ocean**
  - B1. Area of coral reefs protected or restored
  - B2. Area of mangroves protected or restored
  - B3. Area of seagrass protected or restored
  - B4. Area of soft corals protected or restored
  - B5. Area of other reefs protected or restored

- **C. Thriving and restored marine habitats**
  - C1. Volume of greenhouse gases reduced or avoided
  - C2. Volume of greenhouse gases generated
  - C3. Carbon sequestrated
  - C4. Volume of greenhouse gases mitigated
  - C5. Nitrogen emissions mitigated
  - C6. Volume of ocean information products/services in decision making to support climate adaptation & resilience
  - C7. Number of people supported to adapt to climate change

- **D. Towards 1.5C**
  - D1. Employment created
  - D2. Employment opportunities
  - D3. Share of employees that are women
  - D4. Ratio of average entry-level wage compared to local minimum wage at significant locations of operation

- **E. Climate-resilient coastal communities**
  - E1. Number of jobs created
  - E2. People completing education / training programmes
  - E3. Share of employees that are women
  - E4. Ratio of average entry-level wage compared to local minimum wage at significant locations of operation

- **F. Positive socio-economic outcomes**
  - F1. Particular emissions mitigated

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Targeted upside impact strategy.

In Katapult Ocean we invest in startups that solve climate and biodiversity challenges, provide food and clean water for people globally within the three categories Energy Systems, Ocean Organics and Circular Resources. We know that SDG 14 - Life Below Water, is the least funded of the SDGs and that’s why we believe that there is no better time than now for conducting Ocean impact investments. We’ve committed to report on the 30 metrics in the Ocean Impact Navigator presented earlier. Katapult Ocean focuses on the fundamental environmental externality drivers. To secure that we maximise the impact of our funds, we have developed this Theory of Change that shows the connection between what we invest in and the impact we’re targeting.

<table>
<thead>
<tr>
<th>Sphere of control</th>
<th>Energy systems</th>
<th>Ocean organics</th>
<th>Circular resources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inputs</strong> (the products/services our companies offer)</td>
<td>New propulsion</td>
<td>Renewable Ocean energy</td>
<td>Ocean regeneration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enabling technologies</td>
<td>Biodiversity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Seaweed &amp; Algae</td>
<td>Clean water</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Alternative proteins and materials</td>
<td>Waste management</td>
</tr>
<tr>
<td><strong>Outputs</strong> (the problems our companies solve)</td>
<td>GHG emissions reduced/avoided</td>
<td>Carbon sequestered</td>
<td>Tones of ocean-based seaweed and biomass produced</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enhanced Food security</td>
<td>Macro-plastics diverted from nature</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Micro-plastics diverted from nature</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>More people access to clean water</td>
</tr>
<tr>
<td><strong>Outcomes</strong> (the benefits of solving these problems)</td>
<td>Climate resiliency, coastal communities</td>
<td>Towards 1.5°C</td>
<td>Thining and restored Marine habitats</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sustainably managed Ocean resources</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>A clean ocean</td>
</tr>
</tbody>
</table>

Our portfolios can be divided into the different investment categories as stated in the table below.
Our technology impact strategy evolves around 3 main drivers:

<table>
<thead>
<tr>
<th>Impact Characteristics</th>
<th>Portfolio target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Direct impact cases:</strong> the “what, who, how, risks” are well-defined. These investments tend to have impact as a primary feature and a top-level priority, and map well to the SDG’s without having to make abstract leaps of reasoning.</td>
<td>60-70%</td>
</tr>
<tr>
<td><strong>2 Enabling impact cases:</strong> technologies and investment cases where the dimensions of impact effects are strong but where the solution is enabling others to have impact. Example cases may be companies that have the potential to disrupt industries or dramatically reduce costs of various essential goods or services.</td>
<td>20-30%</td>
</tr>
<tr>
<td><strong>3 Deep tech impact cases:</strong> Potentially systemically impactful investments. These will sometimes have unclear valence, high execution uncertainty, or represent efforts to mitigate systemic downside risk. Embedding intentionality here is even more critical than in the other categories. Stewardship of the technologies for positive impact will be the most significant contribution that we can have as an investor.</td>
<td>Max 10%</td>
</tr>
</tbody>
</table>

Once Katapult Ocean invests, the startups participate in a 12-week accelerator programme, in which one third is spent on impact management strategy. Our team members and mentors work closely with the companies in different aspects of the business, that will reflect their positive impacts and address mitigation of negative outcomes. To improve the startups’ impact strategy, measurement, communication, and operations we host several sessions focusing on the startup’s Theory of Change, Five dimensions of Impact, and relevant impact metrics through both joint sessions and one-to-one sessions.
These tools help the startups to describe the links between:

Here we share an example of the work being done with one of the startups with our assistance:

All 202 Katapult Ocean's investments were made according to the recommendations from the Turning the Tide Criteria, and during our accelerator programme we worked closely with our onboarded companies to avoid potential negative direct and indirect impact, listed by UNEP with a "Challenge" action.


<table>
<thead>
<tr>
<th>Seafood</th>
<th>2022 Invested companies related to the indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aquaculture</strong></td>
<td><strong>SEEK OUT</strong></td>
</tr>
<tr>
<td>Products or services that are supporting the aquaculture sector to reduce the need for harmful chemicals, antimicrobials or pesticides in pursu of more responsible production and reducing antimicrobial resistance.</td>
<td>Seek out products and services that support companies to achieve recognised targets and limits on responsible usage through professional advice and guidance, within global best practice standards.</td>
</tr>
<tr>
<td>Aquaculture</td>
<td>Producing, sourcing or selling alternatives to marine ingredients that allow companies to lower their overall footprint. SEEK OUT</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Maritime Transportation</td>
<td><strong>Ship construction and destruction</strong> Designing and building ships with a view to reducing waste and pollution, and prolonging asset life. SEEK OUT</td>
</tr>
<tr>
<td>Marine renewable energy</td>
<td><strong>Floating offshore wind</strong> Development and operation of floating offshore wind facilities that do not seek to minimise disruption to wildlife in the form of entanglement with anchorage or mooring structures. CHALLENGE</td>
</tr>
<tr>
<td></td>
<td><strong>Floating offshore wind</strong> Planning and development of mooring and anchorage for floating offshore wind platforms, and construction of platforms and ancillary structures (cabling, service platforms and substations) that strives for best practice and shares learning with other developers. SEEK OUT</td>
</tr>
<tr>
<td></td>
<td><strong>Common</strong> Non-sensitive developer data collection for baselining and monitoring of impact is freely shared and included in company reporting. SEEK OUT</td>
</tr>
<tr>
<td><strong>Cross-cutting issues</strong></td>
<td>Lack of policy regarding racial, gender (or other) equality in company or supply chain CHALLENGE</td>
</tr>
</tbody>
</table>

In addition to the 3 Key Ocean Sectors described, Katapult Ocean is dedicated to investing in startups and technologies that impact the oceans in other ways, by reducing GHG emissions, reducing land-waste and ocean bound emissions, and effectively stewardship of frontier technologies.

**Going forward**

Moreover, throughout the year, Katapult Ocean has prepared for the next batch of investments to be done in 2023 by fine tuning our Investment Thesis, also considering that in 2023 Katapult Ocean’s investments will be done with the consideration of the Deep Blue Follow on fund that gives us the opportunity to do follow on investments in the best performing of the startups that we have done accelerator investments in.

**Summary of Activities**

**Investments**
A summary of investments made during 2022 can be found below:

1. Algae-C (USA)
Algae-C is pioneering the next major step in biomanufacturing, allowing for even the rarest of drug ingredients to be manufactured at a low-cost and in a sustainable manner. Our technology platform will help to create a world where drug availability and accessibility are no longer a problem.

2. **Better Packaging Co (New Zealand)**
   Better Packaging are producing POLLASTIC, the world’s first mailing satchels and poly bags made from 100% recycled ocean bound plastic pollution. This packaging has a carbon footprint 75% smaller than traditional virgin plastic.

3. **Carbonwave (USA)**
   Carbonwave upcycles the over-supply of Sargassum, creating high performance biomaterials to replace fossil and animal-based products.

4. **Full Circle Biotechnology (Thailand)**
   Full Circle Biotechnology uses agricultural waste to generate protein via a combination of insects and microbes, with unprecedented yield rates. This allows the startup to produce a low-carbon soy or fishmeal replacement that improves animal health.

5. **Hyrex**
   Recreational boats are one of biggest sources of CO2 emissions along the Norwegian coast with more than 1 million boats. By combining a battery for short trip usage with a hydrogen fuel cell range extender the startup has been able to reduce weight by 70% and cost by 80% compared to an equivalent battery-only system.

6. **Ittinsect**
   Ittinsect is a biotech startup that has developed a sustainable alternative to aquaculture feed. The startup produces high performance feeds through the microbiological treatment of novel raw ingredients including insects, microalgae and agricultural by-products, in line with the circular economy principles.

7. **Jet Engineering**
   Jet Engineering System Solutions provide 5G mesh communications in the marine environment.

8. **Ocean’s Balance**
   Ocean’s Balance is making seaweed accessible to shoppers that previously wouldn’t try it. The startup focus on creating products that first and foremost are delicious including our award winning pasta sauces and seasoning blends that have won Sofi and NEXTY awards.

9. **Oceanfarmr**
   Oceanfarmr’s farm operations software is focused on optimising crop, labour and assets. The startup delivers critical insights into farm performance to enable increased capital investment on oyster, mussel and seaweed farms.

10. **Zeabuz**
    Zeabuz develops scalable autonomy technology for waterborne mobility. Autonomy, combined with battery-electric drive, changes the game completely by reducing cost through crew optimisation, energy and operations optimisation, as well as enabling many small vessels to serve the market according to customer needs with high frequency departures.

**Divestments**
There were no divestments in the 12 months to 31 December 2022 from Katapult Ocean Funds 1, 2 or 3.
Katapult Ocean continues to work with the companies to define their core impact and metrics- which will evolve and solidify as companies begin to deliver and scale their solutions. On top of the impact to the ocean, at the end December 2022, the portfolio companies from all 3 of Katapult Ocean’s funds, plus 10 seed-stage Ocean investments in the Deep Blue fund, employ 686 employees (FTE).
Katapult Ocean

Annual report 2022