Katapult Ocean

Updated April 2024

Sustainability related disclosures

Sustainable Finance Disclosure Regulation (SFDR 2019/2088)

Disclosures described in this document:

Entity-level sustainability related disclosures	**SFDR 2019/288**
1. Transparency of sustainability risk	Article 3
2. Principal Adverse Impacts (entity level)	Article 4
3 Remuneration policy in regard to sustainability risk	Article 5

Product-level sustainability disclosures	
4 Deep Blue Fund 1	Article 10

Entity-level sustainability related disclosures:

As part of the European Commission's Action Plan on financing sustainable growth, the European Parliament and the European Commission adopted the Sustainable Finance Disclosure Regulation (SFDR) in December 2019. The intention of the disclosure regulation is to increase transparency on sustainability of financial products.

Katapult Ocean supports this initiative and has sustainable investments within the ocean space as our core objective, as we're aiming to maximize positive impact on people and/or the planet with every investment we do, while delivering market returns to our investors.

Katapult Ocean

1 Transparency of sustainability risk (SFDR 2019/2088 Article 3)

In SFDR article 2, a sustainability risk is defined as “an environmental, social, or governance event or condition that could cause an actual or potential material negative impact on the value of investments”.

We consider ESG-related risks as sustainability-risks that could harm the company’s financial sustainability or inflict harm on the society or planet. We look upon this risk as an outside-in risk: that is how the business is affected by sustainability (ESG) risks. The range of potential sustainability events or conditions is extensive, and their significance, materiality, and influence on investments may vary based on several factors. Should these risks materialize, they could affect other investment risks such as price, liquidity, and/or operational risk, and affect the performance and returns of our products. These risks can influence the investment’s reputation, operational results, financial stability, or net assets. We assess Sustainability risks for all investments through our risk assessment tool in the impact and ESG platform Worldfavor. The risks are assessed based on the location of the companies’ HQ and areas of operations. As of now we assess Human Rights risk, Corruption risk, Water Stress risk, risk of Modern Slavery, Labour Rights risk and Biodiversity risks.
If you'd like to know more about our ESG Due Diligence and investment process, please find more information in our ESG and Impact policy on our website.

2 Transparency of adverse sustainability impacts at entity level

(SFDR 2019/2088 Article 4)

The objective of Katapult Ocean is to invest for measurable market returns and positive environmental impacts within the ocean domains.

To achieve this Katapult Ocean will invest in companies with business models which aim to solve climate and biodiversity challenges, and/or provide sustainable sources of food, materials, and clean water.

Such opportunities operate within domains like Food and water (seaweed, algae, alternative proteins, organic materials, clean water), Energy systems (wind, solar, wave, tidal) Transportation (propulsion systems, fuel types, storage, enabling technologies) and Circular resources (ocean regeneration and biodiversity, and waste management).

For the Adverse Impacts on sustainability factors we consider the negative externalities our investment may have on ESG conditions. Impact materiality risks (inside-out) considers how the companies invested in impacts the society and planet.

We analyze and track the impact materiality risks of the portfolio companies through the Principal Adverse Impacts indicators (PAIs), a list of 14 mandatory and at least two additional optional indicators defined by the EU that enable us to track and aggregate adverse impacts of our whole portfolio. The PAI assessment is done in Worldfavor and the PAIs reported by our portfolio companies will be aggregated and published on our website within June 30 every year.

Through the work in our accelerator program, our aim is to facilitate that the portfolio companies themselves are ambitious and maximize positive impact and minimize negative externalities.

3 Remuneration Policy (SFDR 2019/2088 Article 5)

SFDR article 5 requires financial market participants such as Katapult Ocean to publish on their website information on how their remuneration policies are consistent with the integration of sustainability risks.

As the value of Katapult Ocean's assets under management are below certain thresholds set out in the Act on the Management of Alternative Investment Funds, Katapult Ocean is not required to adopt a remuneration policy. Katapult Ocean has therefore not adopted such a policy but will ensure that any future remuneration policies are consistent with Katapult Ocean's integration of sustainability risks.

4 Product level sustainable disclosure (SFDR 2019/2088 Article 10)

Katapult Ocean Deep Blue Fund 1

a. Summary

The objective of the Fund is investing for measurable market returns and positive environmental impacts within ocean domains. To achieve its objective the Fund will invest in companies with business models which aim to solve climate and biodiversity challenges, and/or provide sustainable sources of food, materials, and clean water.

Such opportunities operate within domains such as Ocean organics (seaweed, algae, alternative proteins, organic materials), Energy systems (wind, solar, wave, tidal propulsion

systems, fuel types, storage, enabling technologies) and Circular resources (ocean regeneration and biodiversity, clean water, and waste management).

The Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective since no relevant benchmark currently exists. The sustainable investment objectives are considered to be attained through the Fund investing according to its investment strategy and applying the sustainability indicators listed in the Ocean Impact Navigator to monitor the Funds' performance.

b) No significant harm to the sustainable investment objective

If an investment, while contributing to a sustainability objective, does cause significant adverse impacts to any other sustainability objective, the Fund will not invest, since that activity is then not sustainable. If the adverse impact is not significant, the Fund is committed to working towards minimizing or removing that adverse impact. The definition of significant in this context is not established by the SFDR. The Fund will maintain a flexible approach across activities and objectives to determine what "significant" constitutes in a given situation. The Fund will account for its approach in the periodic reporting.

In addition, for sustainable investments with an environmental objective aligned with the EU Taxonomy, such alignment requires that the investment meets the Do No Significant Harm criteria established for the relevant activity.

How have the indicators for adverse impacts on sustainability factors been taken into account?

For all investments, the Fund has a systematic due diligence approach which includes an assessment of the adverse impacts on sustainability factors resulting from the activity, this is based on the principal adverse impact indicators in table 1-3 of Annex 1 of the Delegated Regulation.

How are sustainable investments aligned with the [OECD Guidelines for Multinational Enterprises] and the [UN Guiding Principles on Business and Human Rights]?

The Fund seeks to only invest in companies that are committed to conduct their business in alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The Fund will also invest in a company if the shareholder agreement includes a provision requiring the company to develop the necessary procedures to become aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights within a reasonable period after closing. Furthermore, most of the companies will not be expected to comply in full with the OECD Guidelines for Multinational Enterprises due to their size and complexity. The Fund will provide information and training to the companies in order for the companies to develop a sufficient set of policies and procedures.

c) Sustainable investment objective of the financial product

The objective of the Fund is investing for measurable market returns and positive environmental impacts within ocean domains. To achieve its objective the Fund will invest in companies with business models which aim to solve climate and biodiversity challenges, and/or provide sustainable sources of food, materials, and clean water.

Such opportunities operate within domains such as Ocean organics (seaweed, algae, alternative proteins, organic materials), Energy systems (wind, solar, wave, tidal propulsion systems, fuel types, storage, enabling technologies) and Circular resources (ocean regeneration and biodiversity, clean water, and waste management).

d) Investment strategy

The mission of the Fund is to achieve a world where thriving oceans are in harmony with economic development. The objective of the Fund is investing for measurable market returns and positive environmental impact within ocean domains. To achieve its objective the Fund will invest in companies which aim to solve climate and biodiversity challenges, and/or provide sustainable sources of food, materials, and clean water. Such business models involve domains such as Ocean organics (seaweed, algae, alternative proteins, organic materials), Energy systems (wind, solar, wave, tidal propulsion systems, fuel types, storage, enabling technologies) and Circular resources (ocean regeneration and biodiversity, clean water, and waste management).

The Fund will invest through pre-seed to series B.

The Fund will establish “impact KPIs” for the investments. These will be monitored during the holding period.

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

The Fund will only make sustainable investments, which means investments in companies with a clear intentionality and potential for positive impacts according to the UN Sustainable Development Goals. Sustainable investments are the main binding element of the investment strategy. Furthermore, we require all companies to conduct their business in alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

What is the policy to assess good governance practices of the investee companies?

The standardized ESG due diligence framework includes a process for identification of governance practices. The Fund will not invest in companies that do not follow good governance practices. In addition, as described above, we require all companies to conduct their business in alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The Fund monitors whether the company is in compliance on a yearly basis by conducting a risk assessment covering governance topics.

e) Proportion of investments

The Fund is committed to making 100% sustainable investments as defined by the definition in art. 2(17); *“Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.”*

The Funds approach is to first consider whether an investee company can be said to be eligible under the EU Taxonomy. If a company is eligible the Fund considers alignment with the criteria of the EU taxonomy as the only way that such a company can be considered a sustainable investment. For companies that are not eligible, the Fund will consider whether the company can be said to be a sustainable investment using art. 2(17).

At the time of writing the delegated act covering the non-climate environmental objectives have not been made public or entered into force. This means that it is not possible for the Fund to estimate the distribution of investments between " sustainable investments with an environmental objective aligned with the EU Taxonomy" and “sustainable investments with an environmental objective that are not aligned with the EU Taxonomy”, but as stated the fund is committed to the sum of the two being 100%.

f) Monitoring of sustainable investment objective

The attainment of the Fund's objectives is monitored through the fund's sustainability indicators. The performance data on each of the sustainability indicators is provided to the Fund by the respective investee companies. In addition, the Fund monitors the investee companies in terms of their alignment with the definition of a sustainable investment. In that sense as long as all investee companies are classified as sustainable investments, the Fund is by definition attaining its sustainable investment objective.

g) Methodologies

The methodology for calculating the sustainability indicators follow the methodology provided by the Ocean Impact Navigator. You can find more information about the Ocean Impact Navigator here

h) Data sources and processing

a. the data sources used to attain the sustainable investment objective of the financial product;

The assessment of whether a given investee company is aligned with the EU Taxonomy or the article 2(17) definition can include both external data and internal data provided by the company. The Fund might in some cases need to use estimated data to verify compliance.

b. the measures taken to ensure data quality;

The Fund will not use estimated data in situations where the actual data is possible to acquire, and the Fund will where reasonably feasible require supporting evidence for any data which is used in the assessments, in the sustainability indicators and in the Principal Adverse Impact indicators.

c. how data are processed;

Data will be processed in a variety of ways depending on the specific situation. Where relevant the Fund will provide information and will provide additional information on request.

d. the proportion of data that are estimated

The Fund will not use estimated data per se, other than e.g., for situations where estimated data is the only option e.g., for scope 3 GHG emissions. In these situations, the Fund will clearly indicate the implications of the use of such estimates.

i) Limitations to methodologies and data

a. Any limitations to the methodologies referred to in point g) above, and the data sources referred to in point h) above;

The Fund is dependent on receiving data from the investee companies. Data availability and coverage will vary from company to company. The avoidance of the use of estimates might lead to situations where the data coverage will be lower compared to situations where estimated was used.

b. Why such limitations do not affect the attainment of the sustainable investment objective

The Fund does not believe this will affect the attainment of the sustainable investment objective, since a core feature of the attainment is that the fund will only invest in activities which can be classified as sustainable investments. The classification will only be possible using data of sufficient quality.

j) Risk assessment and Due diligence

The Fund will perform ESG risk assessment on all investments. We recognize that there will be sustainability risk related to all the companies we invest in. We interpret sustainability risk as two-folded; ”inside-out” and “outside-in”. Our definition of an “outside-in” risk is that these risks are outside the companies control, like the risk of negative effects of global warming or operating in a country with high corruption. The outside-in ESG risk assessments we use are provided by Worldfavor and are assessing the companies’ risk to Human rights (Worldbank - The Worldwide Governance Indicators (WGI) project), Corruption (Transparency International), Water stress (World Resources Institute), Modern slavery (Minderoo Foundation), Labour rights (International Trade Union Confederation) and Biodiversity (WWF). The framework has the objectives to ensure that long-term sustainability aspects are assessed and that the most material ESG factors for the companies in which we invest are evaluated. In addition we consider “inside-out” risks. The “inside-out” risks are based on the Principal Adverse Impacts assessment of the companies. Based on this, we have defined specific ESG risk factors which are evaluated and possibly dealt with for all new investments.

k) Engagement policies

The Fund actively advocates a strong awareness of ESG issues and strives to ensure that our current and potential investment partners are aligned with the Fund's principles as a responsible investor and ESG policies. The purpose of the Funds engagement is on the one hand to minimize and mitigate financial sustainability risks as well as adverse impacts to people and environment. On the other hand, the purpose is to actively promote relevant opportunities to improve financial returns and positive impacts to people and the environment.

l) Attainment of the sustainable investment objective.

The Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective since no relevant benchmark currently exists. The sustainable investment objectives are considered to be attained through the Fund investing according to its investment strategy and applying the sustainability indicators listed to monitor the Funds' performance.

Versions:

Version 1 - December 2022

Version 2 - April 2024