Updated July 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 level disclosures	**(Article 10)**
Deep Blue Fund 1	Article 9
Katapult Ocean 1 (SPV)	Article 8
Katapult Ocean 2 (SPV)	Article 8
Katapult Ocean 3 (SPV)	Article 8

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

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.

1 Transparency on 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". These risks can influence the investment's reputation, operational results, financial stability, or net assets.

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 operational risk, and affect the performance and returns of our products. Katapult Ocean considers sustainability-related risks in its investment decision process and has sustainable investments as its core in the investments we make.

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).

As some of our funds closed before the SFDR regulation was implemented and we have limited information rights in these investments, and currently have a principles-based approach to identifying and prioritizing Principle Adverse Impacts (PAIs) at entity level. Still we are ambitious and are in the process of integrating a more comprehensive PAI framework into our operations.

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 - Article 9

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 growth.

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 (World Bank - 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.

Katapult Ocean 1-3 SPV (vintage funds)

The following disclosure is for Katapult Ocean fund 1-3 SPV (vintage 2019-2021). The three funds are fully deployed and have not been open to new investment since the first (and final) closes in respectively 2019, 2020 and 2021. Where practices or strategies are different between the three funds, this is clearly stated.

Summary

Katapult Ocean AS is covered by the SFDR as it promotes environmental characteristics. In summary, all investee companies in Katapult Ocean Funds 1-3 are subject to structured environmental and social assessments both before investment and during our holding period, and we aim to engage the portfolio in improved environmental and social footprint as all the portfolio companies in these funds have been through our impact training in the accelerator program and continuously through our ownership period. In addition to this document, Katapult Ocean has

implemented its “ESG and Impact guidelines” that describes how ESG and impact assessments are integrated into our work.

Katapult considers Katapult Ocean 1-3 SPV funds to be article 8 funds under the SFDR.

These financial products promote environmental characteristics but as the funds were closed before the SFDR came into force and it is challenging to change the information requirements from the portfolio companies that participated in the accelerator program 3-5 years ago.

Promoting environmental characteristics

The funds have invested in early-stage ocean technology companies and submit them to an accelerator program in order to mitigate the early stage development risk and boost the portfolio companies growth potential.

The funds do not have an explicit set target proportion of sustainable investments however the strategy is to make investments with a preference for sectors in the environmental domains; transportation, energy, harvesting, ocean health and new frontiers. Such investments would typically fulfill the definition in article 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 financial products promote environmental characteristics but as these funds were closed for new investments before the SFDR came into force, it is challenging to change the information and reporting requirements from the portfolio companies that participated in the accelerator program 3-5 years ago. Accordingly, the funds do not have sustainable investment, as defined under SFDR, as its objective.

Principal adverse impacts on sustainability factors are not considered.

As these funds were closed before the SFDR came into force, principal adverse impacts are therefore not considered for these funds.

Sustainable characteristics of the financial product

The investments were made with a preference for sectors in the ocean domains, such as (but not limited to) clean energy, transportation, sustainable harvesting, ocean health, and new frontiers.

Investment strategy

The objective of the financial products is investing for attractive market returns and positive environmental impact. To achieve its objective the funds have been investing in companies which aim to solve climate and biodiversity challenges, provide sustainable sources of food and clean water for people globally.

The funds have been invested into early-stage companies, typically Pre-Seed, Seed and up to Series A.

Katapult Ocean has worked together with the companies to establish “impact KPIs” for the investments. These are monitored via annual reporting from the companies during the holding period of the investments.

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 has not invested in companies that did not follow good governance practices and continuously work with the companies to ensure this continues. In addition, as described above, we aim to align 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. Katapult Ocean will monitor whether the company is in compliance on a yearly basis by conducting a risk assessment covering governance topics.

Proportion of investments

The funds have made 100% sustainable investments as per the definition in Article 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."*

Monitoring of environmental characteristics

Portfolio companies are required to report on quantitative and qualitative KPIs quarterly to Katapult Ocean. Due to the early-stage nature of the investee companies, these KPIs are subject to change and development in collaboration with Katapult Ocean throughout the holding period of the investments. The intention is to assess environmental impact and ensure investees do not Do Significant Harm and that investee companies can provide compliant reporting as per SFDR, in as much as that is feasible.

Data sources and processing

The data sources used to attain the environmental characteristics promoted by the funds;

a. The main source of data is information gathered during the initial analysis and due diligence of companies assessed for investment, involving, for example, pitch decks, databases, external articles, interviews of founders, employees, customers, competitors, industry experts. 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. Katapult might in some cases need to use estimated data to verify compliance.

b. The measures taken to ensure data quality;
   Katapult Ocean does not use estimated data in situations where the actual data is accessible, and Katapult Ocean will where feasible require supporting evidence for any data which is used in the assessments. .

Limitations to methodologies and data

Limitations to methodologies and data sources are expected due to a lack of precise data from portfolio companies or incomplete data. This is especially prevalent in companies and industries that are new technologies that do not have historical data to compare to and this can limit the validity of some data. Katapult Ocean does not expect such limitations to impact the validity of the environmental characteristics of the investments and underlying companies, as the characteristics are not dependent on specific methodologies or data sources. Katapult Ocean expects such errors or misrepresentations to be limited in quantity and severity. Katapult Ocean works continuously with investee companies to enhance and improve data collection and data sources through the holding period of the investment and will seek to implement monitoring systems where this is possible.

Due diligence (DD)

All investment decisions are based on commercial, financial, legal and ESG due diligence as well as investment due diligence meaning an assessment of the potential return and risk-reward analysis.

Katapult Ocean only proceeds on an investment if confident that the risks are at an acceptable level and that they can be mitigated, avoided or solved over time, provided that the company demonstrates suitable characteristics of positive impact.

Katapult Ocean intends to implement a more comprehensive impact/ESG reporting framework in the cases where we do follow-on investments and therefore implement the portfolio company in the Due Diligence and reporting regime of the Deep Blue fund. The currently chosen software platform is called Worldfavor.

As part of the DD for follow-on investments from the Deep Blue Fund, the companies are assessed in Worldfavor by 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.

If portfolio companies do not comply or risks in any of the above areas are found to have become too high, this will form a basis for review of further engagement and ultimately if not improved, to divestment or other necessary measures.

Engagement policies

Katapult Ocean actively advocates a strong awareness of ESG issues and strives to ensure that our current and potential investment partners are aligned with the Katapult's principles as a responsible investor and ESG policies.

The purpose of Katapult Ocean's 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. It is required that portfolio companies take active ownership of their ESG and corporate responsibilities and to implement them in the way that best serves all stakeholders.

If portfolio companies do not comply with laws, regulations, ethical guidelines or generally accepted principles for health, environment, safety, corporate governance and social responsibility, it will form the basis for a review of further engagement and ultimately if not improved, to divestment or other necessary measures.

Portfolio companies from the funds are required to report on a quarterly basis on qualitative factors regarding the commercial and business development as well as quantitative KPIs (key performance indicator). The aim from the Katapult Accelerator Program is to equip the founder teams to be able to establish "impact KPIs", depending on the development of the business and speed of commercialisation. These KPIs will then be monitored during the holding period of the fund.

Data sources used to attain the environmental characteristics promoted by the funds were gathered during the analysis and due diligence process prior to investment. The data sources can include both external data and internal data provided by the company. The funds in some cases may need to use estimated data where no reliable or relevant historic data is reasonably available.

There are risks of insufficient data, but Katapult Ocean will work continuously with investee companies to improve data sources and update data. Katapult Ocean performs due diligence on all investments based on commercial, financial, legal and sustainability criteria. All investment decisions were made only after satisfaction and agreement from the investment committee on these criteria.

Versions:

Version 1 - December 2022

Version 2 - April 2024

Version 3 - July 2024