

# Katapult Ocean Deep Blue 1

## - Sustainability related disclosures

### Sustainable Finance Disclosure Regulation (SFDR 2019/2088)

In March 2018 the European Commission initiated the Sustainable Finance Action Plan as a response to the recommendations of the EU's High-level Expert Group on Sustainable Finance, the United Nations Sustainable Development Goals (UN SDGs) and the Paris Agreement. The Action plan supports the goal of the EU Green Deal to reach climate neutrality in Europe and includes ten key action points that can be split into three categories:

1. Reorientation capital flows towards a more sustainable economy
2. Mainstreaming sustainability into risk management
3. Fostering transparency and long-termism.

The Sustainable Finance Disclosure Regulation (SFDR) aims to improve transparency, prevent greenwashing, and create a common language amongst Financial market participants around sustainable investing. Every investor must disclose to what extent they consider sustainability in their investment decisions, and then report accordingly. Each fund must disclose whether they are aligned with article 6, 8 or 9 where:

- Article 6: The fund makes no claim of promoting sustainability in their investment strategy
- Article 8: The fund promotes environmental and/or social characteristics
- Article 9: The fund has sustainable investments as its core investment objective.

Each fund needs to make their reporting available on a website (website disclosure), to prospecting investors when raising funds (pre-contractual disclosures), and to existing investors through annual reporting of the funds performance against its commitment (periodic disclosure).

A sustainable investment means an investment in an economic activity that can contribute to an environmental and/or social objective, provided that it does not cause any significant harm to any of the objectives, and that the investee company follows good governance practices.

Katapult Ocean is committed to adhering to the EU's Sustainable Finance Disclosure Regulation (SFDR) ((EU) 2019/2088) and making available sustainability-related information with respect to our investment process and funds. As an impact investor, sustainability and impact are core to our operations and we would like to enable investors to make informed decisions on sustainable investments. Katapult Ocean is committed to make entity level disclosures aligned with the SFDR. This includes Katapult Ocean's sustainability risk policies, considerations for adverse impacts, and transparency on remuneration policies in regards to sustainability risks. For more info, please read "Katapult Ocean SFDR Website disclosure".

# Katapult Ocean Deep Blue Fund 1

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

For financial products that have sustainable investments as their objective, financial market participants shall publish the information referred to in Article 10(1) of Regulation (EU) 2019/2088 and Articles 38 to 49 of the European Commission delegated regulation (EU) 2022/1288 as regulatory technical standards (SFDR RTS).

### Summary (SFDR RTS Article 38)

Katapult Ocean Deep Blue Fund I is a venture capital fund, aiming to invest exclusively in early-stage companies that contribute to positive environmental impact, particularly in ocean-related sectors. The fund's goal is to support a future where healthy oceans thrive alongside economic growth. All investments must qualify as sustainable under Article 2(17) of the SFDR, meaning they contribute to an environmental or social objective without significantly harming any such objectives and adhere to good governance practices.

The fund adopts a dual-lens view of sustainability risks: “outside-in” risks, such as climate change and political instability, are analyzed through third-party tools like Worldfavor, drawing on global data sources to assess exposure to issues like human rights violations, corruption, water stress, and biodiversity loss. In addition, a company's potential adverse impact on society or the environment are assessed. Both risk types are addressed during due diligence. If material risk factors are identified, the Fund will not invest, and if non-material ESG risk factors are identified, they are managed post-investment.

The fund targets measurable financial returns and environmental outcomes aligned with the UN Sustainable Development Goals (SDGs), with a primary focus on SDG 14 (Life Below Water), but also SDG 2 (Zero Hunger), SDG 6 (Clean Water), and SDG 13 (Climate Action). Investments are made in companies offering innovative solutions in clean energy, sustainable transportation, food and water systems, and circular resources. These startups are in the pre-seed to Series B stages, with the majority based in Europe and North America, though the scope of the Fund is global. Katapult Ocean uses a thorough and structured due diligence process to assess all investment opportunities and how they contribute to solutions. This includes alignment with the Ocean Impact Navigator, ESG screening, and exclusion of companies causing significant harm to environmental or social goals. If minor risk of harm is identified, the fund works with companies to mitigate it. Compliance with OECD Guidelines and the UN Guiding Principles on Business and Human Rights is expected. However, recognizing that early-stage firms may face constraints, Katapult Ocean provides guidance and support for policy development and alignment over time. If relevant, shareholder agreements may include mission-lock clauses to prevent technologies from being misused. Final investment decisions are made by an Investment Committee, with input from a Limited Partner Advisory Committee comprising key investors.

To evaluate whether investments meet the fund's sustainability objectives, Katapult Ocean conducts impact and ESG assessments yearly. Data is processed through a dedicated reporting platform where portfolio companies submit annual reports on relevant KPIs, including 30 metrics from the Ocean Impact Navigator and Principal Adverse Impact (PAI) indicators from the SFDR framework. Data

quality is assessed internally, and estimates are used only where necessary and on a best-efforts basis. Despite variability in data availability, this is not seen as a barrier to meeting the fund's sustainable investment goals, as Katapult Ocean evaluates impact on an aggregated Fund basis.

Katapult Ocean Deep Blue Fund I is structured to generate both market-rate financial returns and long lasting environmental value, through a disciplined, impact-first investment strategy supported by ESG integration, ongoing data monitoring, and active engagement with the portfolio companies.

## **No significant harm to the sustainable investment objective (SFDR RTS Article 39)**

The Fund does not consider adverse impacts of investment decisions on sustainability factors. The reason for this is that we consider our own ESG policies and procedures to be appropriate, proportional and tailored to the investment strategies of the Deep Blue Fund 1. The companies we invest in are at an early stage, meaning that adverse impacts from Katapult Ocean's investment decisions are rarely significant in an absolute sense. In any event, if significant harm is uncovered during the assessment of a potential investment, the company is excluded from investment.

Still, 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 based on the principal adverse impact indicators in table 1-3 of Annex I of the Delegated Regulation. As part of the confirmatory due diligence, Katapult Ocean will evaluate relevant information from the target company on the indicators for adverse impacts. All companies that Katapult Ocean invests in must contribute to a solution tied to the SDGs previously mentioned. It is also important to ensure that the investments do not significantly harm any environmental or social objectives. Due to the size and nature of the companies the fund seeks to invest in, adverse impacts are rarely significant in the investment universe hence the Principal Adverse Impact indicators (PAIs) as defined in Table 1-3 of Annex I to the SFDR RTS - Regulation (EU) 2022/1288 are taken into consideration as part of an holistic approach of the Do No Significant Harm of the criteria, but not as whole. In any event, if there are indicators of significant harm in the assessment of a company, the company is excluded from investment. If the adverse impact is not significant, the Fund could invest but is committed to working towards minimizing or removing that adverse impact. We do this through our accelerator program where we spend 1/3 of the program on impact measurement and management, and ESG risk assessment and mitigation. 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, and we will always seek for the companies to be aware of the potential negative impact they might have and to have a plan to mitigate it.

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. During the due diligence process of potential investments, Katapult Ocean will assess whether the target company complies with these guidelines and principles. For companies headquartered where there is a higher risk for violations to for example human rights or labour rights, the Katapult Ocean may, before we invest, require that 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.

## **Sustainable investment objective of the financial product (SFDR RTS Article 40)**

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, do no significant harm and conduct good governance. Sustainable investments are the main binding element of the investment strategy.

The objective of the Fund is investing for measurable market returns and positive environmental impacts within ocean domains to support the achievement of Sustainable Development Goal (SDG) number 14 - Life Below Water, in addition to SDG 2 - Zero Hunger, SDG 6 - Clean Water and Sanitation and SDG 13 - Climate Change. 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 Energy (wind, solar, wave, tidal), transportation (propulsion systems, fuel types, storage, enabling technologies) Food and water (seaweed, algae, alternative proteins, organic materials, desalination and waste water management), and Circular resources (ocean regeneration and biodiversity, clean water, and waste management).

Katapult Ocean will annually request an update from portfolio companies of their measured impact and on the Principal Adverse Impact indicators. Given the early stage the companies are at, this will be at a best effort basis as some of the companies can report on their achieved sustainable outcomes, while others must report their traction to the sustainable outcomes, meaning that they'll have to report at an output level. The Fund will make the results available to the public in our annual Impact Report.

## **Investment strategy (SFDR RTS Article 41)**

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 to seek attractive returns and positive environmental impact within the targeted ocean domains. To achieve its objective the Fund will invest in a portfolio of privately negotiated equity, equity-related or equity-like investments in Ocean startups within four domains:

- Clean energy
- Transportation
- Food & Water
- Circular resources

The Fund will make investments in companies at a pre-seed to growth stage. To ensure that the Fund's investments support the targeted SDG's and the Paris Agreement, the impact areas that the fund is targeting are:

- Sustainably managed ocean resources

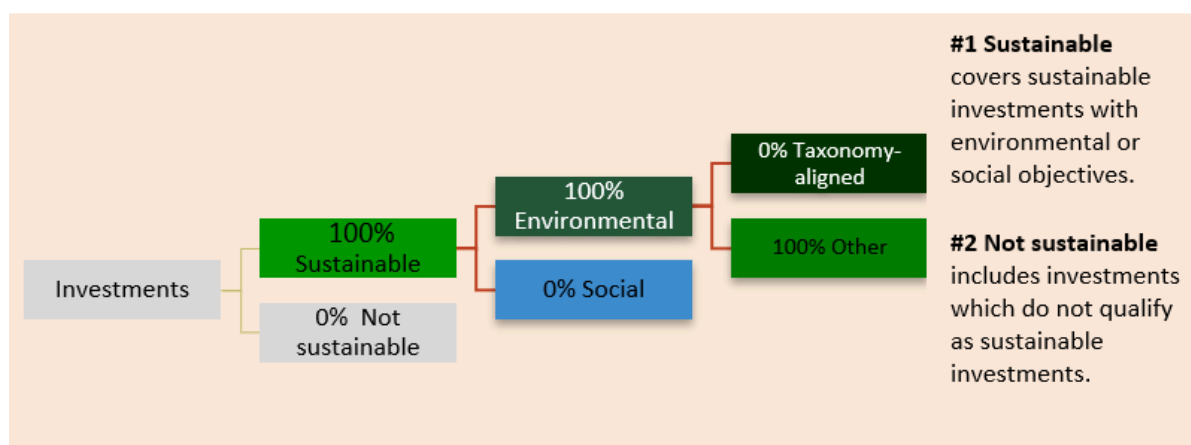
- A clean ocean
- Thriving and Restored Marine Habitats
- Towards 1.5C
- Climate-resilient coastal communities

in addition to some selected positive socio-economic outcomes. These impact areas are aligned with the 1000 Ocean Startups coalition's Ocean Impact Framework; The Ocean Impact Navigator. This framework was developed in collaboration with the members of the coalition and Sytemiq, and more than 50 investors/accelerators/incubators are using the framework to measure positive ocean impacts of their portfolio companies.

## Proportion of investments (SFDR RTS Article 42)

The Fund is committed to making 100% sustainable investments with an environmental objective 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 investments are not necessarily environmentally sustainable economic activities as defined in the EU Taxonomy. The main reason for this is that the investee companies the Fund expects to invest in will not be obliged to publicly disclose the degree of their alignment with the EU Taxonomy, either due to size or due to that the investee companies not being within the EU/EEA area. Katapult Ocean is not in a position to require portfolio companies to disclose such information or otherwise obtain information on the degree of investee companies' Taxonomy-alignment directly from the investee companies as these are early-stage companies.

The kind of portfolio companies pursued by the Fund are early-stage companies (pre-seed to Series B) globally, but with the majority within Europe and North America.



## Monitoring of sustainable investment objective (SFDR RTS Article 43)

Post investment, our portfolio companies go through a three months accelerator program where we in the first month work closely and strategically with them on how to measure and manage the impact they're contributing to and the ESG metrics they should monitor.

Katapult Ocean monitors and reports Impact and ESG metrics across the portfolio in an annual Impact Report as part of the SFDR Article 11 period reporting process. Katapult Ocean collects the information through a digital tool from a 3rd party provider which allows us and the portfolio

companies to monitor their data from year to year. The portfolio companies will report on how they're contributing to a sustainable solution by using the 30 KPIs from the Ocean Impact Navigator. To monitor the Do no significant harm and good governance criteria, the portfolio companies will report on the Principle Adverse Impacts and good governance indicators where available. As our portfolio companies are in an early stage or growth phase, this is done at a best effort. Especially the scope 3 emissions are challenging for early-stage and growth companies to collect and monitor, hence we're encouraging them to focus on and report their most substantial emissions first and then further improve the level of detail from year to year. Katapult Oceans Impact Director is supporting and overseeing the impact measurement and reporting of the portfolio companies.

## **Methodologies (SFDR RTS Article 44)**

The attainment of the sustainable investment objective is measured via the following indicators throughout the Fund's periodic reviewing and post transaction monitoring of investments:

- Review of non-compliance in relation to all mandatory PAI indicators set out in Table 1 of Annex I of the SFDR Regulatory Technical Standards (EU)2022/1288.
- Review of non-compliance in relation to optional PAI indicators set out in Table 2 and 3 of Annex I of the SFDR Regulatory Technical Standards (EU)2022/1288. Optional PAI indicators selected by Katapult Ocean for Deep Blue Fund 1 include:
  - Share of investments in investee companies without water management policies (Table 2)
  - Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour) (Table 3)
- Review of the 30 KPIs from the Ocean Impact Navigator. All companies report on the metrics that are relevant for their company. In addition some companies are reporting on other metrics that are relevant for their company.

**Figure 13: The framework consists of 30 KPIs spanning six impact areas**

Impact Area	Indicator
A. Sustainably managed ocean resources	A1 Volume of biomass preserved or restored
	A2 Volume of seafood waste reduced
	A3 Welfare of marine life
	A4 Tonnes of ocean-based seaweed and bivalves produced
B. A clean ocean	B1 Volume of primary micro-plastics diverted from nature (or landfill)
	B2 Volume of macro-plastic diverted from nature (or landfill)
	B3 Nitrogen/Phosphorous pollution mitigated (i.e. reduced, avoided or bioremediated)
	B4 Volume of contaminated waste water from land-based sources diverted from waterways
	B5 Invasive species reduced or avoided
	B6 Reduction in [other] pollution (e.g. heavy metals, chemicals, sound etc.)
C. Thriving and restored marine habitats	C1 Area of coral reefs protected or restored
	C2 Area of mangroves protected or restored
	C3 Area of seagrasses protected or restored
	C4 Area of salt marshes protected or restored
	C5 Area of kelp forest protected or restored
	C6 Area of [other habitat] protected or restored
D. Towards 1.5C	D1 GHG emissions reduced or avoided
	D2 GHG emissions generated
	D3 Carbon sequestered
	D4 NOx emissions mitigated
	D5 SOx emissions mitigated
E. Climate-resilient coastal communities	E1 Length of coastline protected
	E2 Use of ocean information products/services in decision-making to support climate adaptation & resilience
	E3 Number of people supported to adapt to climate change
	E4 Enhanced food security
F. Positive socio-economic outcomes	F1 Number of jobs created
	F2 People completing education / training programmes
	F3 Share of employees that are women
	F4 Ratios of average entry level wage compared to local minimum wage at significant locations of operation
	F5 Particulate emissions mitigated

## Data sources and processing (SFDR RTS Article 45)

The data sources used to assess whether an investment fulfills the sustainable investment objective of the financial product can include both external data and internal data provided by the company. Katapult Ocean does an internal assessment of the data quality for each portfolio company. The Fund might in some cases need to use estimated data to verify compliance. The data collection and assessment is based on a best-efforts basis. Estimates are used only as a supplementary measure where data is not otherwise readily available. The data is processed through a data platform where the portfolio companies report on the previously mentioned metrics and where the Katapult Ocean team can assess the data. The Katapult Ocean team works closely with the portfolio companies, ESG and impact consultancies to ensure the highest possible data quality, consistency, traceability and transparency, and the companies can also assess the data they've reported for previous years, to continuously encourage them to improve their performance.

## Limitations to methodologies and data (SFDR RTS Article 46)

Limitations to the methodologies and data sources referred to above; The Fund is dependent on receiving data from the investee companies where 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. Still, as we invest in early



stage companies, the future of impact is uncertain and required data sources may not be readily available.

However, 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. Katapult Ocean always links impact to a metric of traction and/or revenue that is thoroughly assessed in the due diligence process. Although for each individual company the impact might not reach the expected forecasts, the risk of attainment of the sustainability investment objective is reduced on a fund basis as Katapult Ocean considers an aggregated impact.

## Due diligence (SFDR RTS Article 47)

Katapult Ocean recognizes 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 for the Fund are provided by a 3rd party assessment tool where we are assessing the companies' risk to violations against 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.

Katapult Ocean has the following process to ensure that the sustainability risks are assessed and that the impact is achieved in the companies that the Fund invests in during the Funds ownership period in the companies.

### SFDR in our investment process and portfolio management

	Stage 1: Screening	Stage 2: Due Diligence, investment decision and agreement	Stage 3: Accelerator Program	Stage 4: Portfolio Management and Exit
Part 1 Make a contribution	Impact screening and impact intentionality assessed	Companies screened against the SDGs and the Ocean Impact Navigator. Interviews conducted. Potential Mission lock agreed on.	Impact workshops during and sessions Finalize Impact management plan. Set Impact KPIs and have a plan for measurement	Impact indicators measured, managed & reported on annually Sustainability of high impact ensured in exit scenarios
Part 2 Do No Significant Harm	Exclusions screened against Katapult Ocean Exclusion list.	Principal Adverse Impacts and ESG risk assessment. Due Diligence questionnaire answered by companies and interviews are conducted	ESG risk assessed by company, awareness raised, & companies onboarded on Worldfavor for PAI and Impact reporting	ESG and PAI indicators reported annually
Part 3 Good Governance		Governance review in ESG risk assessment	Commitment to uphold good governance standards	Potential gaps mitigated & SFDR good governance reported annually.
Key tools	Katapult Ocean ESG Policy, Ocean Impact Navigator Impact assessment	Katapult Ocean ESG Policy, Ocean Impact Navigator, Interviews, Investment Committee and investment Agreement	Ocean Impact Navigator, PAI and ESG risk assessment. Leading to an Individual Impact Management Plans for each portfolio companies.	Ocean Impact Navigator And ESG reporting in digital tool



The Fund will perform ESG risk assessment on all investments.

- Investment screening and exclusion: Katapult Ocean Investment and Impact team uses a structured set of deal criteria to make consistent and efficient decisions. Exclusions are screened against Katapult Oceans Exclusion list and the companies impact potential and intentionality of the founders are assessed.
- Due diligence process: Katapult Ocean runs a thorough due diligence process starting at a high level, continuously digging into the details, with screening against the SDGs and the Ocean Impact Navigator to evaluate the company's potential for positive impact. In this process interviews are conducted and a potential mission lock is added to the shareholders agreement if there may be a risk that the technology can be utilised in a harmful way. To ensure that the company is aligned with the Do No Significant Harm criteria, we conduct a PAI and ESG risk assessment and the company answers a due diligence questionnaire.
- Investment Committee process: Katapult Ocean has developed a robust investment decision-making process overseen by the Investment Committee. If there are strategically important discussions, the Fund's Limited Partner Advisory Committee (LPAC) is involved. The LPAC consists of representatives from five of our biggest investors.

## **Engagement policies (SFDR RTS Article 48)**

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.

Katapult Ocean considers a portfolio company's intention towards ESG and Impact a priority; it is assessed as described above during the investment screening and due diligence phases. Post investment, the companies participate in our three months accelerator program and one month is dedicated to impact. During the four weeks the companies participate in eight workshops and have four deliverables. The portfolio companies identify key performance indicators for their impact and assess the ESG risks of the company. By the end of the month all the companies have a clear understanding of how they can measure and manage their ESG and impact.

Should Katapult Ocean discover any existing or potential sustainability risks associated with the portfolio company, Katapult Ocean will collaborate with the portfolio company in question to explore the cause of the risk and possible mitigation strategies. It is an important principle for Katapult Ocean that the reporting, whereby measuring, reporting and tracking are made as easy as possible for the portfolio companies to encourage participation by leveraging Katapult Ocean's internal ESG and Impact expertise.

## **Attainment of the sustainable investment objective (SFDR RTS Article 49)**

As reduction in carbon emissions is part of the objectives of the Fund, it is a requirement to address whether an index has been designated as a reference benchmark or whether the EU Climate Transition Benchmark or EU Paris-aligned Benchmark has been defined. The Fund seeks investments in line with the SDGs, actively contributing to SDG 14 in addition to SDG 2, 6 and 13. The EU Climate

Transition Benchmarks and EU Paris-aligned Benchmarks focus on reduction in scope 1, 2 and 3 GHG emissions and do not account for abatement technologies. In addition, as our investment companies are at an early stage and are expected to scale, scope 1, 2 and 3 carbon reductions are not necessarily considered relevant for the companies, still it is important that the companies monitor and seek to limit these emissions, but data availability could be a challenge, especially for scope 3 emissions. For this reason they are not considered to be applicable or appropriate to apply to the Fund's investment strategy or to assess the contribution of the Fund's investments to the Paris agreement. Consequently the Fund is currently not managed in accordance with an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark. 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 earlier to monitor the Funds' performance. Katapult Ocean will in collaboration with other players in the ocean industry continuously look to improve its impact management framework and will look to incorporate elements of the EU Climate Transition Benchmarks or EU Paris-aligned Benchmark where applicable.

#### Versions:

Version 1 - December 2022

Version 2 - April 2024

Version 3 - July 2024

Version 4 - this version - Updated declaration on how the Fund relates to adverse impacts.