

Ocean 14 Capital Disclosure May 2022

UNEP Sustainable Blue Economy Finance Principles

Introduction

Ocean 14 Capital is a signatory of the Sustainable Blue Economy (SBE) Principles. Ocean 14 Capital Fund I (O14C), as an impact fund that was established to invest in businesses with a positive impact on the oceans generally, and SDG14 specifically, believes our policies, practices, activities and investments are well-aligned with the SBE principles.

O14C is an Article 9 Fund under the EU Sustainable Finance Disclosure Regulation (SFDR), with the stated objective of contributing to the top four targets of SDG14, a commitment that all the fund's investments are sustainable investments that do no significant harm, and the application of the Minimum Safeguards. This further reinforces our alignment with the SBE Finance Principles.

Fund Objectives and Status

O14C's investment strategy is to invest in equity and equity-like securities in growth companies, mostly in Europe, with the overall aim of providing investors with a return from capital growth and income, and to generate positive environmental impact that contributes to the UN Sustainable Development Goal 14 on "Life below water".

O14C's first SBE report was presented in May 2022, when no investments had been made. The focus had been on preparing impact investment strategy and developing processes and procedures for impact assessment and measurement to support it. The Fund began deploying capital later in 2022, and four investments have been made during 2022.

Alignment with global agreements

Sustainable development goals

The fund has been explicitly set up to make quantifiable contributions to SDG14. We also deliberately seek to create positive impact for other SDGs and avoid negative (unintended) impacts.

Kunming Montreal Global Biodiversity Framework

The UN Finance initiative proposes the following three broad actions for investors:

- Integrate biodiversity into investment decision-making;
- Invest in innovative financial solutions to help mobilise the USD200bn/year needed to meet the GBF's objective;
- Disclose nature-related dependencies, impacts, risks and opportunities,

As an ocean-focussed impact fund, we believe we are moving strongly on the first two actions. We are currently evaluating how we can engage with TNFD. We aim to be able to disclose on nature related dependencies and impacts, and on the associated risks and opportunities, across our portfolio by 2025.

Paris Agreement Alignment

Most of the fund's asset allocation to date is in companies which have a direct or indirect GHG mitigation contribution. The fund's assets do not yet have science-based targets to ensure alignment with the Paris Agreement.

SBE Targets

O14C's primary SBE-relevant target is that 100% of investments must have quantifiable SGD14 impact. This is a requirement of our investment policy and of our SFDR precontractual disclosures.

In addition, each portfolio company has annual impact targets, set at the point of investment. The attainment of these targets determines whether 30% of O14C's carry is disbursed to the Fund.

During the due diligence process prior to investment, O14C applies thresholds to manage the risk of an investment causing significant harm. These include:

Exclusions:

- O14C will only make investments that comply with, and where possible exceed, relevant legal and regulatory requirements and, where applicable, international well recognised standards.
- O14C will only make investments where there is alignment with the investee company's management regarding impact goals.
- O14C will not invest in activities which entail significant risk of harming endangered species.
- The core of O14C's investment thesis is to identify companies with a strong convergence of impact and commercial drivers. Where no such convergence or potential convergence exists in the company's business model, O14C does not invest.

Qualitative thresholds:

- For potential impacts such as GHG emissions, where activities with zero emissions are very rare, the O14C's due diligence ensures that investments are selected which demonstrate, or have the potential to demonstrate, low GHG emissions relative to competing products or services in the given sector.

Investments made to date and alignment with SDG14

O14C made 4 investments in 2022:

- SyAqua, a shrimp genetics and hatchery feed company based in Singapore.
- Tilabras, a tilapia farm based in Brazil.
- MITO, a clam hatchery and nursery with operations in the Netherlands and Italy.
- AION, a circular plastic consulting firm / software platform based in Norway.

Each of these aims to have various positive impacts, including measurable positive impact on SDG14.

Portfolio Company	Direct impact	Indirect impact on SGD14	Overall SDG14 target impacts
SyAqua	SyAqua's improved genetics enable reduced volatility and greater intensification of	Reduced volatility and greater intensification in shrimp, plus support to farms, are expected to: <ul style="list-style-type: none"> • reduce waste (including fish meal), 	SDG14.2: protect ecosystems by reducing shrimp industry demand for littoral habitat;

	shrimp production by enhancing growth and reducing mortality in high density production. This will be amplified with direct support to customers to enhance management of shrimp farms.	<ul style="list-style-type: none"> enable farmer investment in environmental management, help to transition ponds away from the littoral zone (e.g. mangrove habitat, which is not conducive to intensive farming), improve yield/ha (which reduces demand for land). 	SDG14.4: overfishing reduction – by reduction of feed waste.
Tilabras	Tilabras’ most direct impact are the removal of wild fish from the diet of thousands of tonnes of fish production and the production of very low carbon footprint protein.	The indirect outcomes of increasing production of sustainably farmed tilapia are expected to include: <ul style="list-style-type: none"> likely substitution of wild caught seafood likely substitution for higher GHG forms of animal protein. 	SDG14.3: GHG reduction (as proxy for acidification) through substitution of higher carbon forms of protein; SDG14.4: reduced pressure on wild fisheries to address overfishing.
MITO	MITO produces juvenile clams, which, as they grow, absorb nutrients from the environment, which addresses eutrophication.	The clam production enabled by MITO is expected to: <ul style="list-style-type: none"> act as a potential substitute for other forms of animal protein with higher GHG emissions. relieve pressure on collapsed stocks of wild caught clams. 	SDG14.1: removal of N from habitat SDG14.3: GHG reduction (as proxy for acidification) by substitution SDG14.4: reduced pressure on wild fisheries to address overfishing.
AION	AION’s direct impacts are to reduce GHG emissions by replacing virgin plastic material with recycled material, and to capture marine plastic (e.g. nets) for recycle.	By supporting its consultancy customers to replace virgin plastic with recycle in their products and capture wastes, AION will indirectly support GHG reductions. AION’s traceability platform will enable increased transparency of the plastic supply chain.	SDG14.1: prevention of plastic pollution by capturing marine waste, SDG14.3: GHG reduction (as proxy for acidification) through virgin plastic replacement.

Governance - an investment process to deliver sustainable investments

Ocean 14 Capital has put in place mechanisms designed to ensure that investment decisions made by the fund deliver impact. To ensure that the fund invests in sustainable enterprises, O14C has deployed a proprietary evaluation process, which integrates sustainability risks into investment decisions through full-spectrum qualitative and quantitative ESG and impact due diligence, with third party experts as required. Our Impact Committee meets in parallel with our Investment Committee and has a veto on investment decisions.

We monitor the performance of each portfolio company on a continuous basis. O14C will agree an Impact Action Plan (the “IAP”) with every company prior to investment, committing them to actions, targets, monitoring and reporting requirements.

Updates to processes

As reported in 2022, as a fund dedicated to supporting SDG14, our processes were well aligned with the SBE principles. However, in the process of making investments and ensuring SFDR alignment, we made slight modifications to our processes. These included:

- Explicit commitment to applying the Minimum Safeguards, which cover Human Rights, Taxation, Bribery and Corruption and Fair Competition.
- Further detail on exclusions (which are aligned with the [Recommended Exclusions](#) publication).
- Clarification of our double materiality assessment.

UNEP SBE Principles	How we plan to achieve implementation and adoption	Steps have we already taken	Examples
1. Protective:	We commit to ensuring that all our investments contribute to SDG14, Life under Water, and vet investments against risks and opportunities relevant to all SDGs.	Our due diligence rigour and focus on SDG14 and other affected SDGs are enshrined in our Investment Policy.	O14C Investment Policy (link)
2. Compliant:	O14C is committed to ensuring legal / regulatory compliance by all our investee companies. Ensuring this is a key part of our due diligence prior to making investments.	This is enshrined in our Investment Policy, in our investment process and our precontractual SFDR Article 9 disclosure.	O14C Investment Policy (link)
3. Risk-aware:	We evaluate the positive and negative risks and impacts of potential investments before making investment decisions, and will ensure that any potential negative impacts are mitigated.	Our investment processes require full spectrum risk assessment before any investment decisions can be taken. We have identified material Principle Adverse Impacts (PAIs) for our anticipated portfolio through a double materiality assessment, but also vet for additional risks.	Impact and ESG are fully integrated into our investment process. For investments which have non-negligible risks (e.g. country risk, activity risk, such as our investment in Tilabras in Brazil), we apply IFC performance standards for our third party due diligence.
4. Systemic:	Our risk assessment process, mentioned above, entails a systemic view of risk across the value chain of an investment.	As mentioned above, our investment process includes full spectrum risk management.	The impact investment thesis for SyAqua, a shrimp genetics company, is based on the positive systemic impacts of enabling more intensive shrimp farming.
5. Inclusive:	While O14C has a focus on SDG14, we will consider risks and impacts relating to all SDGs in investment decisions	This is enshrined in our Investment Policy and our SFDR precontractual disclosure.	All investments must demonstrate Minimum Social Safeguards, which cover human rights, taxation, bribery and corruption and fair competition.
6. Cooperative:	O14C is empowered to collaborate with LPs and other investors to leverage our capital investments and knowledge.	Co-investment rights are built into our Limited Partners Agreement (LPA).	We are actively working with other financial institutions on investments, and participate in industry events, panels, etc.
7. Transparent:	We intend to report on our investments according to UNPRI guidelines, and will publish an annual impact report. In addition, we will disclose under SFDR requirements.	In addition to SBE, O14C is a signatory of UNPRI.	Our first UNPRI report will be submitted in 2023.
8. Purposeful:	This is the explicit purpose of our fund.	This is enshrined in our Investment Policy	All our investments make direct or indirect contributions to SDG14, and other SDGs.
9. Impactful:	All our investments will aim to provide social, environmental and economics benefits.	Our investment process requires that every investment is not only subject to impact DD, but has an Impact Action Plan signed off by management, which describes impact related requirements that are conditions of investment.	As noted above, each of our current investments contributes to SGD14.

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10. Precautionary:	---	Precautionary decision making is a de facto outcome of our very robust DD and risk management processes.	We have turned down otherwise promising investment opportunities where we have concerns that the impact pathways are insufficiently robust.
11. Diversified:	---	O14C is a growth equity fund, focussed on primarily SME scale businesses, though through co-investments, we will also have the option of investing in larger projects.	Our investments to date range from companies employing 4.5 to 164 staff, and traceability tech and genetics to fish farming.
12. Solution-driven:	This is the explicit purpose of our fund.	This is enshrined in our Investment Policy	Our first four investments each offers solutions: <ul style="list-style-type: none"> • Tilabras and MITO: low impact production of animal protein • SyAqua: addressing shrimp mortality through genetics • AION: capturing marine plastic and creating closed recycling loops.
13. Partnering:	---	We interact regularly with a variety of organisations, public, private and NGO, as part of our sourcing, DD and portfolio monitoring activities.	We cooperate closely with the Blue Marine Foundation, for example on scientific developments relating to Blue Carbon.
14. Science-led:	---	O14C has invested in hiring impact specialists with relevant science backgrounds. In addition, we work closely with leading scientists on our advisory board, and independent scientific entities and NGOs.	O14C's team includes a PhD in marine biology and three further biologists (Masters or BSc level). O14C has an advisory board of 26 highly respected experts, including some of the most respected scientists in their respective fields.