INTRODUCTION

As a signatory of the Sustainable Blue Economy Finance Principles (the Principles), Vala Capital is committed to the sustainable and inclusive growth of the blue economy.

As sustainable venture builders and investors, we invest in and work with a range of businesses that relate to the blue economy. We recognise that restoring and protecting marine ecosystems and the blue economy is critical to our business, and to us all.

A key part of our investment philosophy is to only invest in companies that have aligned the interests of their shareholders with those of society and the environment. As such, we integrate fundamental sustainability considerations into all of our investment decisions, including those investments related to the blue economy.

You can read more on our broader Sustainability Manifesto here.

This report sets out our key actions and plans in respect of the blue economy since signing the Principles in July 2022. As this is our first report, this forms part of a benchmarking process on the implementation of the Principles that we will strive to build on over the next year at both an operational level and across our financial activities.

ACTIONS TAKEN OVER

July 2022 - July 2023

Key actions that have been taken over the last year include:

1. Working the Principles into our investment themes for the United Ocean Fund.

   The United Ocean Fund’s objective is to provide impact venture capital as well as catalyse philanthropic contributions to increase funding for the ocean, its recovery and its future. While the fund is still under development, the Principles have proved critical to guiding the development of our investment themes for the fund over the last year.

   Our vertical investment themes include:
   - Plastic Alternatives and Removal
   - Maritime Tech, Robotics and Big Data
   - Food, Biodiversity and Aquaculture
   - Renewable Energy and ClimateTech
Additionally, over the last year, we have considered the Principles when developing the key impact metrics upon which we assess and monitor potential investments for access to the United Ocean Fund. This includes metrics specific to the ocean economy to ensure that the most materially important impact is measured. Dependent on the investment theme and industry of potential investments, we have developed key quantitative and qualitative metrics such as questions concerning:

- The positive and negative effects on ocean biodiversity and ecosystems around ports.
- Data collection and predictions to improve ocean health.
- Renewable ocean energy.
- The amount of marine and land environment required for a business.
- Destruction of any natural habitats/sea life.
- Environmental impact risk analysis.

2. Investing in companies that directly contribute to the principles of SGD14.

As a venture capital firm that invests in start-ups and early-stage companies, we have made and maintained investments across our financial activities into companies that contribute directly to the Principles and Sustainable Development Goal 14 (as well as other Sustainable Development Goals). These investments reflect Principles 1 (Protective), 9 (Purposeful), and 12 (Solution-Driven) and include:

**ARKSEN MARINE**: designs innovative marine vessels with sustainability considered throughout the choice of raw materials, systems and efficiencies of design using circular economy principles.

**FLEXSEA**: innovative, home compostable biopolymer material for packaging derived from seaweed and other naturally-sourced products. As an alternative to plastic, Flexsea products naturally biodegrade in both marine and soil environments.

**DIZZIE**: helping brands and retailers transition from single-use to reusable packaging. Tackling the 114 tonnes of packaging waste created annually from grocery packaging waste entering marine or other natural environments.

**HOMETHINGS**: home care products that are waterless, low toxicity and delivered with zero-waste circular packaging.

**SUST GLOBAL**: AI-powered climate modelling enabling organisations to assess, disclose, and manage climate risk exposure (wildfires, flooding, sea-level rise, water scarcity, drought and tropical cyclones).

**HONUWORX**: subsea robotics company with sustainability and restoration at its heart.

**OXWASH**: re-engineering the laundry process to eliminate the impact of washing on our planet. Oxwash’s technology is able to prevent microplastics going into the waterways, which already account for 30% of all plastic pollution in our oceans.

**INSTREAM ENERGY SYSTEMS**: an innovative technology company that is focused on making shallow water a viable source of hydroelectric power.

**RAD PROPULSION**: develops the next generation of electric propulsion systems for marine applications that are sustainable, safe and user-friendly.

**THE SUSTAINABILITY GROUP (TSG)**: provides the FuturePlus SaaS-based platform to help companies measure, monitor and report on their sustainability, and provides consultancy services in the sustainability field. TSG helps companies improve their positive impact on SDG14, where applicable. Past work has included working with a food distribution company and a chain of private member’s clubs to source more sustainable seafood.

**OTHER VENTURES**

We also contribute our expertise to two ocean-related organisations:

**OCEAN TEN MEDIA**: a digital media agency that focuses on marine expeditions, conservation & adventure.

**10% FOR THE OCEAN**: a charity focused specifically on ocean conservation, with donations distributed to a worldwide network of critical ocean causes and projects through our Ocean Recovery Network.
3. Using FuturePlus to assess the sustainability of our investments and our own business.

We are implementing Principles 3 (Risk-aware), and 4 (Systemic) through the use of FuturePlus, an ESG measurement and management platform. The platform provides a benchmark sustainability score in terms of environmental and social impact and provides a roadmap and a quantifiable measure of where we intend to be over the next three years across five themes (Climate, Environment, Economic, Diversity and Inclusion and Social impact). FuturePlus provides overall scores out of a total of 500, with 100 points available for each of the 5 themes.

The progress is tracked and reported in real-time to ensure transparency, consistency, and improvement. As a condition of investment, we require all of our investments to report on environmental, social and governance to ensure our decision-making reflects holistic assessments that consider economic, social and environmental values.

The majority of our ocean-related investments use the FuturePlus platform to measure and monitor their sustainability. The platform also allows us as an investment firm to identify the cumulative impacts of our investments through a portfolio dashboard, aggregating the sustainability scores and ambitions of our portfolio companies. FuturePlus helps serve as a gap analysis for looking at the risk level of our investments, including where there may be environmental risks related to the ocean and marine life.

We also use FuturePlus ourselves, with our actual score sitting at 253 and our ambition score at 268 (for July 2023). Across our portfolio using FuturePlus, the average actual score is 244 and the average ambition score is 269.

SHORT AND LONG-TERM PLANS

As part of our broader sustainability strategy, we, along with the majority of our portfolio companies, are using FuturePlus to provide a roadmap and a quantifiable measure of where we intend to improve our environmental and social impact over the next three years. This helps us to develop both short- and long-term plans across all areas of sustainability, including the blue economy.

**IN THE SHORT TERM (OVER THE NEXT 12 MONTHS), WE PLAN TO:**

- Launch the United Ocean Fund, allowing us to directly support the blue economy through targeted investment and aligning with Principal 10.
- Increase our own environmental score through FuturePlus (currently we have an actual environmental score of 35 and an Ambition score of 38). FuturePlus provides overall scores out of a total of 500, with 100 points available for each of the 5 themes. The environmental score reflects a range of factors such as a business’s impact or actions in respect of ecosystems, marine environments, recycling practices and pollution. Of the five FuturePlus themes, the environmental score is the most relevant to the blue economy.
- Increase the environmental scores of our portfolio companies through the platform FuturePlus. Our portfolio’s average Actual score currently sits at 38 and Ambition score sits at 44.
- Undertake work around Principle 7 (Transparent) to report on the implementation progress of the Principles, and make additional social, environmental and economic information on our investments available.

**IN THE LONG TERM (OVER THE NEXT 3 YEARS), WE PLAN TO:**

- Via the United Ocean Fund, expand the implementation of Principles 1 (Protective), 5 (Inclusive) and 9 (Impactful).
- Consider the implementation of Principles 6 (Cooperative) and 13 (Partnering) in our work.
- Establish benchmark goals for relevant portfolio companies across ocean-related indicators in the FuturePlus platform to further contribute to Principles 3 and 4.
OUR INVESTMENTS ARE ALIGNED with the UN SDGs, as assessed by FuturePlus

We are aligned with the majority of UN SDGs at an operational level, and are positively impacting 15 out of 17 SDGs, including UN SDG 14. Across the relevant portfolio companies that are currently on the FuturePlus platform, all have been assessed as positively contributing to UN SDG 14.

We are also aligned with the Paris Climate Agreement. In June 2023, we made a submission to become a member of the Venture Climate Alliance, which includes commitments to achieve net zero in our own emissions by 2030 and encourage our portfolio companies to achieve net zero by 2050 or sooner.

Vala is positively impacting 15 of the 17 United Nations Sustainable Development Goals
GOVERNANCE OVERVIEW

Vala has a range of governance structures, policies and practices in place that align with the Principles.

Our overall mission is to be sustainable venture builders and investors that only invest in companies that have aligned the interests of their shareholders with those of society and the environment. Key to our business is integrating fundamental sustainability considerations into all of our investment decisions, including those investments related to the blue economy.

Our governance structure includes an Advisory Committee that helps to ensure good governance remains at the heart of our operations. The committee assesses the performance of our operations, such as the progress of portfolio companies, prospective investment sectors and investment restrictions, including the consideration of sustainability.

We have a range of policies and practices in place that align with the Principles, including:

- A Cycle to Work scheme to reduce GHG emissions caused by commuting.
- Encouraging our workforce to conserve energy in the workplace.
- Policies and guidance on anti-corruption and bribery, human rights and
- When selecting leadership team members, we look for a commitment to sustainability and environmental issues.
- Processes in place for identifying sustainability risks in potential investments.
- Employee training in relevant sustainability practices and principles via Employee Handbook (e.g. recycling).

In the near future, we have plans to introduce a Board or senior governance member whose remit specifically includes sustainability and become a signatory of the UN Global Compact.

CONCLUSION

Vala Capital is committed to implementing the Sustainable Blue Economy Finance Principles and supporting the blue economy. While we have made progress across a range of principles over the last year, we are striving to continuously improve upon this as set out by our short and long term plans. We acknowledge that the blue economy and positively contributing to UN SDG 14 is key to both our own operations and our financial activities. We look forward to working with our partners and portfolio companies to meet our ambitions in this space.

Signed,

James Faulkner
Co-Founder & Managing Director