

Stichting The Flotilla Charitable Foundation



REPORT OF THE BOARD OF DIRECTORS 2021

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Chair's foreword

It is our great pleasure to present the 2021 annual report of Stichting The Flotilla Charitable Foundation (hereafter, the "Foundation").

Although 2021, was another challenging year with the ongoing COVID-19 pandemic, we did by the end of the year seem to settle back to some new normality with the world's vaccination programme well underway. Thankfully, the Foundation managed to continue with its Grant making and supported a number of new projects in line with its mission, which is to enhance mankind's relationship with our marine environment, to create a long-term sustainable future for the planet. The Foundation was pleased that the organisations it managed to support overcame the difficulties thrown at them by the pandemic.

Following on from the projects supported in previous years, and the success of these, the Board undertook a full review of the Foundation's strategic direction and how it wishes to meet the above mission. It was agreed that the Foundation programmes would be expanded, to help address additional and increasing threats to our marine environment.

Still maintaining the Foundations two-program structure, it was agreed that along with the existing focus on plastic pollution in the ocean, to now include the threats of nutrient and chemical pollution, in an attempt to address the issue of global water quality in a more holistic and interdisciplinary way, as part of the Foundations Ending Ocean Pollution programme.

Although climate change is clearly becoming the largest and fastest-growing threat to the ocean, it is at the same time the greatest ally in the fight against it. The Foundation realised that Ocean funders have an important role to play in shaping a robust response to climate change and therefore its strategy has been adapted to include this.

The following topics; green energy, blue carbon schemes, restoration and recovery of vulnerable species, and coastal community adaptation to climate change were added into our Climate Resilience programme to complement the Foundation's current focus on increasing and expanding marine protected areas.

The Foundation looks forward to supporting new Grantees focused in these two areas in 2022.

Melanie Smith
Chair of the Board

June 24, 2022



1. Report of the Board of Directors

1.1 Objectives of the Foundation

The primary, long-term, objective as stipulated in the deed of incorporation of the Foundation is to promote for the benefit of the public the conservation, protection and improvement of the physical and natural environment and in particular of the oceans and seas but in any case limited to those purposes which are charitable according to the laws of the Netherlands and which are also charitable according to the laws of England and Wales, by the making of grants or the provision of such other support that will assist this objective, and all other acts and things which may be conducive to the aforesaid objective. Within the Foundation's objective the primary focus areas are:

- Preventing Plastic Pollution in the Oceans
- Promoting the Protection of Marine Habitats

The Foundation has further set the objective of making a sustainable and lasting contribution to its objectives and focus areas over a period of 20 years. This period is in line with the term of international environmental agreements and considered appropriate in view of the large scale of the issues and challenges for which the Foundation was established, and the aim to contribute to the public benefit and the substantive objectives of the Foundation uninterrupted during this period. Consequently, the total capital of the Foundation is granted on a 20-year funding cycle in which annually apportioned capital and income and gain are spent.

The Foundation achieves its overall objectives by pro-actively identifying projects that fall within these objectives and its multi-year Policy Plan and to ensure that the project or donation is exclusively charitable for the public benefit and does not give rise to personal benefit. The same applies for any donation request. The donations shall in principle only be made to an organisation with a non-profit goal and the project plan or activities should provide sufficient insight into the content of the project and intended result.

The Foundation is registered with the Dutch tax authorities as a Public Benefit Organisation ("Algemeen Nut Beogende Instelling").

1.2 Activities

The Foundation is dedicated to promoting the best and most efficient solutions to today's biggest problems in oceans conservation. To achieve that, the Foundation examines each project for support, based on its adherence to some or all of the following principles:

Research and Exploration

The vastness and inaccessibility of much of our ocean landscape contributes to our lack of data and our inability to visualize changes and threats, or to quantify our impact on the oceans. This inhibits our ability to address these massive challenges of ocean conservation. In addition, the threats facing our oceans and our marine ecosystems are complex and inter-connected. It is difficult to separate the different threats from each other, as they compound one another, making it almost impossible to address only one at a time.

The Foundation is interested in helping to understand and quantify these problems more effectively, so resources can be better directed to the areas that need it the most, and help create the connections and collaborations needed in order to address multiple and interdisciplinary issues in the most direct way.

Innovation and Solutions

While the problems of pollution and habitat destruction are increasing exponentially, unparalleled technological and social advances are increasing as well - as many of the innovative solutions to address these problems are currently available or just over the horizon. The Foundation would like to bring in new voices and new disciplines into the field of conservation, to help apply this new, unparalleled innovation capacity to solve some of the ocean's biggest problems.

Education

The importance of the ocean in all of our lives cannot be overstated. The democratization of traditional media and popularity of social media platforms have created a unique opportunity to further explore people's connection with the Ocean and expand the public's understanding and engagement with oceans conservation – even if they can't visit the Ocean in person. The Foundation would like to help the public learn about ocean life and the ocean's physical geography, in order to promote the importance of preserving and conserving our oceans' ecosystems, and help people all over the world engage in meaningful action to protect their marine environment.

Projects

The Foundation made a significant number of donations in 2021, including projects focused on global marine policy change, corporate accountability for pollution, technological and market solutions to pollution and overfishing and strategic litigation aimed at protecting vulnerable ecosystems. The Foundation also made donations to several projects focussing on educating future generations on the importance of our marine environment and the need to protect it, as well as on increasing our knowledge and understanding through research, to allow for better-informed action against the threats facing our oceans.

Please find below a selection of the projects the Foundation supported in 2021. All projects, past and present, can be found on the Foundation's website: <https://flotillafoundation.org/projects>

Preventing Plastic Pollution in the Oceans

Plastic Soup Foundation – Bioplastics: Friend or Foe?

The agricultural sector is one of the largest contributors of microplastics pollution, due to the intentional use of microplastics in agricultural products such as fertilizers, mulch, pesticides and coated seeds. Some of these microplastics will find their way to ditches, channels, rivers and the ocean, and some will remain in the soil, where they can cause harm to the ecosystem or even migrate into the food chain. The Plastic Soup Foundation aims to contribute to reducing plastic pollution in agricultural systems and surrounding waters, by stimulating the use of bioplastics that truly biodegrade in both soil and freshwater environments, and push for more stringent biodegradability standards in the EU. For that purpose, they will conduct research, building on their previous work, to provide more clarity to the question of biodegradability of bioplastic mulch films.

Natuur & Milieu, Enviu and Recycling Network - Mission Reuse

Currently, there are reuse innovations to replace single use plastics like coffee cups, meal containers and packaging — but the majority is not yet feasible at large scale. Mission Reuse aims to tackle these barriers and make reusable the new normal. It is a unique transition programme that leads the way in the prevention of waste with promising reuse packaging solutions, which allow for multiple instead of single use. New reuse innovations are used as a powerful driving force to change the market, force new legislation and shift consumer behaviour towards a true circular economy with reuse at its base.

Health Care Without Harm - Towards Plastic-Free Healthcare in Europe

Health Care Without Harm aims to mobilise the healthcare sector in Europe to become a leader in the worldwide movement for solutions to plastic pollution and reduce damage to human and environmental health from plastics used in healthcare. In the second year of their project, HCWH will investigate the use of plastics and the associated value chains in European healthcare, to reveal the opportunities and barriers for increasing circularity and reducing plastic use and educate healthcare professionals and procurers on the environmental and health impacts of plastics and on the solutions available in line with the waste hierarchy.

Promoting the Protection of Marine Habitats

North Sea Foundation - Cultivating Solutions

The North Sea Foundation aims to optimize the potential for safe, responsible, and nature enhancing aquaculture in Dutch offshore wind farms generating ecological and social benefits, and realising new business models for sustainable food production, by utilising inadvertent opportunities created in wind farms for aquaculture that have true potential to improve the natural values of the North Sea, thereby fortifying the North Sea ecosystem. Ecologically sustainable aquaculture products can contribute to the growing demand for proteins. To not repeat the mistakes most known in land-based agriculture and largescale aquaculture, sustainable aqua culture development and management takes into account the full range of ecosystem functions and services. In close collaboration and frequent consultation with relevant stakeholders, a clear concept will be developed for aquaculture in wind farms that is safe, technically and economically viable, while improving biodiversity, ecosystem health, resilience, and productivity. A Solutions Tool-box will help producers, governing bodies, and wind farm operators address risks and eliminate bottlenecks.

Saves The Waves Coalition – Surf Protected Area Networks

Defined as “a collection of individual marine and coastal protected areas around surfing locations” — the goal of the Surf Protected Areas Networks (SPAN) is to establish a systematic approach to conserving large numbers of surf ecosystems, utilising networks of locally managed protected areas that both protect and are supported by sustainable surf tourism. In the second year of their project, Save the Waves are working to harness the power of the surfing community and economy to conserve large numbers of marine ecosystems in the Portuguese Azores. By engaging the surf community at the grassroots level in marine spatial planning from the beginning, the process will have more legitimacy,

be better oriented towards economic development and contain better information for the zoning of the protected areas.

Global Fishing Watch – Revolutionizing Ocean Monitoring

The uncontrolled increase in fishing activities in Europe has led to chronic overfishing and left much of the marine life endangered. Despite some measures to contain fishing effort and reduce at least the EU fleet capacity, there are not yet clear signs of an inversion of the exploitation trend. Furthermore, destructive fishing practices, such as bottom trawling, contribute to the release of carbon — intensifying the climate crisis. Global Fishing Watch is analysing fishing activity in areas with sensitive habitats, in support of marine protected area designation and enforcement. They use the public data available on the EU fleet and merge it with other detection methods such as Synthetic Aperture Radar (SAR), which will allow detection of the ‘dark fleet’ — those not sharing their position with Automatic Information System (AIS). Using these methods, GFW aims to better quantify and map where bottom trawling occurs and help fisheries governance and impacts on climate change, by refining the algorithms applied in global surveillance data.

2. Future outlook

2.1 Focus

The overall mission of the Foundation is to enhance mankind’s relationship with the marine environment, to create a long-term sustainable future for the planet. To achieve this mission, the Foundation has been focussing on two main programmes, Preventing Plastic Pollution and Protecting Marine Habitat, either by collaborations with potential partners or by direct donations.

Following on our first three years of regular funding, the Foundation decided to review its grant making priorities, in light of increasing threats to our marine environment and environmental health in general. Through our previous support of projects, it became clear that certain threats were interconnected, and it would be difficult to address one without addressing the other. The issue of water quality and the different types of pollution threatening ecosystem and ocean health, is compounded by not only marine debris, but also nutrient and chemical pollution (from industrial sources, agricultural run-off, sewage management and more). These different types of threats also exist in a feedback loop – which escalates their adverse impact on the marine environment.

In addition, climate change is fast becoming the largest and fastest-growing threat to the ocean as we know it. Ocean funders, including the Foundation, increasingly recognise that marine conservation priorities and past victories may be overtaken by climate change impacts and that we have an important role to play in shaping a robust response to climate change.

During its 2021 Fall funding cycle it was agreed that Foundation's programmes would be expanded in 2022, to help address these additional and increasing threats to our marine environment.

Still maintaining the Foundations two-program structure, it was agreed that along with the existing focus on plastic pollution in the ocean, to now include the threats of nutrient and chemical pollution, in an attempt to address the issue of global water quality in a more holistic and interdisciplinary way, as part of the Foundations Ending Ocean Pollution programme.

Although climate change is clearly becoming the largest and fastest-growing threat to the ocean, it is at the same time the greatest ally in the fight against it. The Foundation realised that Ocean funders have an important role to play in shaping a robust response to climate change and therefore its strategy has been adapted to include this.

The following topics; green energy, blue carbon schemes, restoration and recovery of vulnerable species, and coastal community adaptation to climate change were added into our Climate Resilience programme to complement the Foundation's current focus on increasing and expanding marine protected areas.

It was therefore agreed that the two primary focus areas of the Foundation within its 20-year funding cycle are as follows as of 2022:

- Increasing circularity and innovation to end pollution in the ocean and recover from marine debris;
- Strengthening and growing the ocean's resilience to climate change, and finding proactive, lasting solutions to this global threat to humanity.

2.2 Activities

With its renewed programmes in place, the Foundation will continue to fund innovative and solution-orientated projects, to invest in research and exploration as well as in education campaigns to create measurable impact and sustainable change. The Foundation thereby also provides great flexibility,

general operation support and other means to non-profits to manoeuvre from the COVID-19 crises and if needed, anticipate on the consequence of another crisis, that of the war in Ukraine.

The Foundation intends to increase its funding in 2022 and beyond due to unexpected but exceptional financial results achieved over the past year. It will be imperative to do this very carefully and thoughtfully so the Foundation can achieve the lasting impact it envisions.

The Foundation would like to highlight the following projects, which either have come to an end in 2022, or are on their way to contribute to one of the largest global initiatives in the field of reducing single use plastics:

Conservation X-Labs - The Microfiber Innovation Challenge

During 2019-2021 the Foundation was a major donor of the Microfiber Innovation Challenge (<https://www.microfiberinnovation.org>) - a global competition calling for upstream innovations that address microfiber pollution by 1) replacing textiles that are sources of plastic microfibers with replacements or 2) developing improved textile manufacturing processes to decrease microfiber shedding.

In March 2022, five trailblazing innovations were awarded a total of \$525,000 for their solutions to transform our clothing and textiles. The solutions are aiming to prevent or reduce the shedding of microscopic fibers that pollute our air and waterways when fibers break off clothing during everyday wear, the laundry, and disposal. A panel of seven judges made up of representatives from the clothing industry, materials scientists, conservationists, and investors, selected these innovations based on criteria that included feasibility, potential for growth, environmental impact, and novelty of their approach. The judges selected the innovations they felt had a big vision for tackling microfiber pollution, and where the team was well-equipped to make a big difference on a large scale (<https://conservationxlabs.com/news/microfiber-winners/>).

Participation in this Challenge also offers these innovations several benefits beyond just the prize pool, including access to a network of experts and leaders in the space; the opportunity to meet and learn from peers working on cutting-edge products; mentorship on business and product development; and recognition and validation from a world-class evaluation panel.

The Foundation is confident the winning innovations will help catalyze the change needed in the textile industry and reduce plastic microfiber pollution in our oceans. The Foundation intends to continue to

focus on the issue of plastic pollution and will look for new projects to fund which will help to restore our marine environment from plastic debris and other major threats.

University of Portsmouth - Global Plastics Policy Centre Global Plastics Treaty

The Foundation has decided to award a special donation to the University of Portsmouth's Global Plastics Policy Centre, which was launched at COP26 in November 2021 (also originally funded by the Foundation). The Centre is the only independent research body with a dedicated team focused on developing rigorous, evidence-based plastics policies. The donation from the Foundation is aimed to enable the centre to work with the United Nations Environment Programme (UNEP) in supporting the development of a robust international agreement that will substantively confront global plastic pollution and its impacts. The University will provide independent, evidence-based analysis and guidance on plastics policy, including effectiveness of and gaps in existing policy; and recommended priority policy for tackling plastic pollution at national and global scales. The process was triggered at the fifth session of the United Nations Environment Assembly (UNEA).

The Foundation considers this work as an opportunity to influence the global plastics treaty process and help improve global policy around plastics. The draft text of a global agreement to tackle plastic pollution is intended to be presented at the next UN Environment Assembly, likely to take place in early to mid-2024. The timeline for this project is therefore May 2022 to April 2024.

3. Organisation

3.1 Foundation details

The Foundation is registered with the Dutch tax authorities as a Public Benefit Organisation ("Algemeen Nut Beogende Instelling") under RSIN: 857437719 and is also granted the status of Charity by the HMRC (United Kingdom).

Please be informed regarding the contact details of the Foundation:

Hofplein 20
3032 AC Rotterdam
The Netherlands
Tel: +31 (0)10 8001766

e-mail: contact@flotillafoundation.org

The Foundation is registered with the Dutch Chamber of Commerce under number 68430183.

Employees

The Foundation has two employees. These employees receive a contractual remuneration for the tasks assigned to them. The remuneration policy for employees is aimed at rewarding its employees according to standards that are socially acceptable and responsible for persons who perform comparable work. The remuneration policy should enable the Foundation to attract and retain qualified personnel.

3.2 Board of Directors

The Board is charged with the management of the Foundation, and more in particular with the management and administration of the Foundation's means, the adoption of the budget of income, including distributions and funds to be made available in view of the realization of the Foundation's objectives. The Board is entitled to accept (and refuse) donations on behalf of the Foundation. No donations shall be accepted which are made under conditions contrary to the objectives of the Foundation or its Policy Plan.

The Board consists of:

Chair: Melanie Smith

Secretary: Tamar Matalon

Treasurer: Oliver Plunkett

Member: Mirjam van der Zanden

Members of the Board do not receive any remuneration in return for performing their duties as a member of the Board.

4. Source, management and destination of Funds

The Foundation relies on donated financial instruments to generate funds from which to pursue its public interest objectives. As such it does not pursue a policy of active public fundraising.

At the time of writing the Foundation does not expect to receive any further significant sums by way of donation but expects to generate funds through investment returns, discussed further below.

The Foundation has a 20-year objective in which it envisages to achieve a significant impact on the ending of plastic pollution and the resilience of the Ocean. The Foundation strives to use all of its realised annual income and gains (investment return) in pursuit of its objectives each year and on maintaining the Foundation and in addition commits itself to spend around EUR 1,5 million of its total capital on the aforementioned Foundation's primary focus areas, which does not affect the extra grant giving to potential special projects which may be identified from time to time.

5. 2021 Financial information

5.1 Investment Portfolio

Over the past few years, the Foundation has reallocated its passive investment portfolio to further diversify its investments and to mitigate the investment risk. The Foundation seeks to generate a stable income with its passive investment portfolio that can and will be spend on the pursuit of its objectives and maintaining the Foundation. Therefore, in the reallocation process it was of importance that (part of) the investments can be monetised in the short term.

Results

The Foundation securities and interest are revaluated to the year-end market value and exchange rates as per 31 December 2021: the interest in the passive investment entity is considered at net asset value as per year-end. The securities comprise of (donated) fund units and are considered at market value at year-end for accounting purposes. Furthermore, the interest in its passive investment entity is denominated in USD and the fund units are denominated in GBP and have been converted into EUR.

In 2021, the Foundation's passive investment portfolio has achieved an unexpected and extraordinary unrealised result. The Foundation wants to ensure, however, that its aims of capital preservation and income generation and liquidity are continued to be met and will therefore monitor the performance of its assets during the coming period to see if an upward trend continues, and if and to what extent this would affect its spend and the composition of its investment portfolio.

With the available funds, the Foundation makes donations to the various charitable projects that are being identified. In 2021, The Foundation achieved a net realised result of EUR 2,464,903 on its investments.

The Foundation intends to continue similar-scale funding cycles twice a year and keep the levels of support consistent. Although not actively promoting open applications, the members of the board of the Foundation will consider these requests during the Foundation's two-yearly funding rounds, if deemed fit.

The Foundation strives to spend its total capital in 20 years and annually the investment return to have a long-lasting impact and achieve the Foundation's objectives.

5.2 Budget

Spend 2021

The budget for 2021 was set at EUR 1,5 million intended for outgoing donations and the funds for maintaining the Foundation. The total amount of outgoing donations was EUR 2,457,698 and the maintenance costs were EUR 212,774. The Foundation therefore overspend its 2021 budget, however, in accordance with its existing commitment, an extra donation payment was made in relation to the Microfiber Grand Challenge.

Budget 2022

The Foundation acknowledges that the exceptional unrealised result could have certain consequences for its spending policy in the short term, also considering the capacity of the Foundation. Therefore, the Foundation will increase its total yearly budget to EUR 2,5 million, to be able to spend the total capital in 20 years, albeit the Foundation may at its discretion spend more (also considering the net realised results on its investments) than the available amount depending on the appropriateness and relevance of project proposals it has the opportunity to consider.

The Foundation aims to allocate the minimal amount of the budget 2022 to the primary focus areas as follows:

Ending Ocean Pollution: EUR 1,250,000

Ocean Resilience: EUR 1,250,000

Continuity

In order to cover short-term financial risks with the aim of guaranteeing that the Foundation will continue its activities in the future the Foundation reserves an amount of EUR 319,011.49.

6. Statement of income & expenditure

		2021		2020	
		€	€	€	€
Incoming donations	[1]	-		-	
Result securities	[2]	<u>13.586.771</u>		<u>4.282.346</u>	
Income			13.586.771		4.282.346
Outgoing donations	[3]	(2.457.698)		(2.072.455)	
Personnel expenses	[4]	(133.077)		(25.657)	
Housing expenses	[5]	(1.636)		(1.396)	
General expenses	[6]	<u>(77.961)</u>		<u>(326.897)</u>	
Expenditures			(2.670.372)		(2.426.405)
Operating result			<u>10.916.399</u>		<u>1.855.941</u>
Exchange differences	[7]	(2.376.074)		(1.247.199)	
Interest expenses	[8]	<u>-</u>		<u>-</u>	
Total financial income and expenses			(2.376.074)		(1.247.199)
Share in result of passive investment entity	[9]		3.151.515		1.750.818
Result			<u><u>11.691.840</u></u>		<u><u>2.359.561</u></u>

Notes to the statement of income & expenditure

	2021 €	2020 €
Incoming donations [1]		
Securities	-	-
	-	-
Result securities [2]		
Financial instruments	13.586.771	4.282.346
	13.586.771	4.282.346
Outgoing donations [3]		
Ending plastic pollution	(1.555.866)	(1.356.543)
Protection of marine habitats	(901.832)	(715.912)
	(2.457.698)	(2.072.455)
Personnel expenses [4]		
Wages and salaries	(120.381)	(20.068)
Social security expenses	(1.520)	(2.742)
Other personnel expenses	(2.416)	(1.467)
Pension expenses	(8.760)	(1.380)
	(133.077)	(25.657)
Housing expenses [5]		
Cost of hiring office space	(1.636)	(1.396)
	(1.636)	(1.396)
General expenses [6]		
Administrative expenses	(12.578)	(158.203)
Consultancy fees	-	(85.806)
Legal expenses	(36.918)	(57.593)
Bank charges	(28.451)	(21.270)
Tax advisory expenses	-	(3.871)
Other general expenses	(14)	(154)
	(77.961)	(326.897)
Exchange differences [7]		
Passive investment entity	1.188.303	(1.201.541)
Bank and other third parties	(3.564.377)	(45.657)
	(2.376.074)	(1.247.199)

Interest expenses [8]

JP Morgan Bank

-	-
-	-

Share in the result of passive investment entity [9]

Passive investment entity

3.151.515	1.750.818
3.151.515	1.750.818